The Role of Digital Transformation on Marketing Performance of Bird Cages in Ajibarang with Digital Marketing as a Mediation Variable

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Abstract
Micro, Small and Medium Enterprises (MSMEs) have an important role in increasing innovation and creativity so that they can improve economy. MSMEs can increase the community's economy by providing employment, and producing products or services needed by the community. More than 300 MSME bird cage craftsmen in the Ajibarang, who are recorded or who have not been recorded, are able to absorb labor so that they can reduce the unemployment rate. In its journey, MSMEs bird cage craftsmen in Ajibarang facing many problems, one of which was not maximizing technology in marketing. They are still using a personal selling strategy. This study aims to examine the effect of digital marketing on marketing performance. This study also examsing digital transformation is able to mediate digital marketing and marketing performance. The sample used in this study was 97 respondents with a purposive sampling technique. Based on the results of research conducted using Smart PLS, it shows that digital transformation has a positive effect on digital marketing and marketing performance. Digital marketing is able to mediate digital transformation variable and marketing performance variable. The digital transformation in Ajibarang bird cage craftsmen MSMEs, will increase their digital business marketing capabilities and will increasing marketing performance. Increasing digital transformation of the Ajibarang bird cage craftsmen MSMEs will lead to increased productivity, innovation, and creativity of MSME in facing business competition. The implication of this research is that the results of the research are able to become the resources for MSME Ajibarang bird cages in determining the right strategy to improve their marketing performance.

Keywords: Marketing Performance, Digital Tranformation, Digital Marketing, MSME

A. Introduction
Marketing performance refers to the measurement and evaluation of marketing activities and their impact on achieving organizational goals. It involves assessing the effectiveness and efficiency of marketing strategies, tactics, and campaigns in generating desired outcomes and results (Hamid, et al, 2022). Marketing performance is a concept used to measure a company’s performance in marketing its products (Arbawa & Wardoyo, 2020). Marketing performance describes the results of implementing corporate strategies such as customer satisfaction, new product success, sales growth, and profitability. Marketing performance measurement will be an important factor because it can be used as an evaluation and benchmark for marketing activities.
Micro, Small and Medium Enterprises (MSMEs) have an important role in increasing innovation and creativity so that they can improve economy. MSMEs can increase prosperity by providing employment, and producing products or services needed by the community. Overall, MSMEs are important for creating jobs, promoting economic growth, and supporting local communities. Governments and other stakeholders can support MSMEs by providing access to finance, training and mentoring, and other forms of support. One of the drivers of the people's economy is bird cage craftsmen. Many residents and people of all ages, both women and men, make bird cages their main livelihood. Small and medium enterprises (MSMEs) are one sector that makes a significant contribution to spurring Indonesia's economic growth. This is due to the absorption of SMEs to a very large workforce and close to the common people. In accordance with the results of Kuncoro (2008), MSMEs of bird cage craftsmen in Banjarsari village have become main income. Many absorb labor from various walks of life and various ages.

More than 300 MSME bird cage craftsmen in the Ajibarang, who are recorded or who have not been recorded, are able to absorb labor so that they can reduce the unemployment rate. In its journey, MSMEs bird cage craftsmen in Ajibarang facing many problems, one of which was not maximizing technology in marketing. They are still using a personal selling strategy. This research was conducted by a business phenomenon that occurred at the Ajibarang birdcage craftsmen where there was a decrease in sales. Ajibarang bird cage craftsmen feel that there is a decline in sales turnover from 2022 to 2023. In one month the turnover generated reaches Rp. 120,000,000 a month in 2022 but in 2023 the average sales turnover become Rp. 70,000,000 a month. The decline in sales indicates a decrease in marketing performance so it is necessary to do research that can be used as a basis in developing strategies to improve marketing performance.

Digital transformation refers to the process of integrating digital technologies, orientation, and capabilities across all areas of a business, leading to cultural, organizational, and operational change (Bule, et al, 2022). It involves the strategic use of digital technologies to revolutionize the ways of working and delivering value to customers, and it requires the support of an ecosystem, dedicated digital strategy, and digital skills. The entire business model change follows the process of digital transformation. The process of digital transformation is mainly studied in the context of
three approaches, namely addressing drivers and objectives that trigger the digital journey, factors of success, and implications. Two drivers of transformation are digital orientation and digital capability, which have direct positive effects on marketing. The better the digital transformation of a business will improve its digital marketing.

Digital transformation can have a positive mediating effect on revenue and business model, as well as on MSME outcomes. In summary, digital transformation is a strategic and gradual integration of digital technologies, orientation, and capabilities across all areas of a business, leading to cultural, organizational, and operational changes, and revolutionizing the ways of working and delivering value to customers. It is supported by an ecosystem, dedicated digital strategy, and digital skills, and it can have a positive impact on revenue and business model, as well as on SME outcomes. Good digital transformation in MSME will increase digital transformation that can maximize marketing performance.

Digital marketing refers to the use of digital channels, such as search engines, social media, email, and websites, to promote a product or service. It involves various tactics and strategies to reach and engage with a target audience, build brand awareness, and drive conversions. Digital marketing has become increasingly important in recent years as more and more people spend time online. It offers businesses the opportunity to reach a wider audience, track and measure their marketing efforts, and personalize their messaging to specific segments of their target market. Digital marketing will increase the ability of a business to face increasingly difficult challenges, so that the better digital marketing will improve marketing performance.

Some common digital marketing tactics include search engine optimization (SEO), pay-per-click (PPC) advertising, social media marketing, email marketing, content marketing, and influencer marketing. Each of these tactics has its own unique benefits and can be used in combination to create a comprehensive digital marketing strategy. Overall, digital marketing has revolutionized the way businesses promote themselves and interact with their customers. It allows for more targeted and measurable marketing efforts, which can lead to increased business growth.

This research was conducted to complete previous research conducted by Sulaeman and Gunawan (2020), that prove digital marketing having a positive influence on marketing performance. However, this research has not examined digital transformation
as a mediating variable. Research conducted by Buck, et al (2023) states that digital transformation has a positive influence on marketing performance. So this research will add a digital transformation variable as a mediating variable between digital marketing and marketing performance.

B. Literature Review

1. Marketing Performance

Marketing performance is the metrics and outcomes that marketing departments look at to determine how well their marketing activities are doing at achieving the goals in their marketing plans. It’s helpful to start with a marketing performance definition. Marketing performance is the alignment between the marketing team’s stated goals and objects versus actual results. But those marketing metrics aren’t the only elements to consider when understanding marketing performance as a concept. In order to be successful and high-functioning, marketing departments need to focus on planning future marketing activities using predictive analytics to determine the best activities to employ.

Marketers need to successfully carry out those marketing activities, which is typically referred to as marketing execution. The daily marketing tasks are typically undertaken by lower-level marketers, marketing generalists, or marketing specialists who focus on a specific type of marketing. Similarly, marketing project managers will focus on the respective tasks and activities needed to execute the initiatives they have prioritized.

The planning and execution of marketing activities need to happen simultaneously and come together under the umbrella label of marketing performance. No matter what role you play on a marketing team, you’ll need to access marketing analytics to determine whether you’re meeting your own KPIs and those of the marketing department.

In addition, marketing performance should be measured at consistent and regular intervals. Marketing performance assessment is typically carried out annually before the creation of the upcoming annual budget and at the end of each campaign to determine their efficiency and effectiveness. This allows those engaged in marketing
performance management to ensure that adjustments are made to future marketing plans to capitalize on past performance. It also allows the marketers in charge of executing those plans to identify the tweaks they can make to ensure more successful marketing activities.

Measuring marketing performance allows companies to evaluate the extent to which their marketing strategy is successful. By measuring performance, companies can see whether marketing objectives have been achieved or not. Measurable marketing performance data can provide companies with valuable insights in making strategic decisions. For example, by knowing metrics such as sales conversion rate or customer retention rate, a company can determine whether or not to make changes to its marketing strategy.

Marketing performance helps companies identify areas where they can improve their marketing efficiency and effectiveness. By knowing metrics such as cost per lead or cost per customer acquisition, companies can evaluate the efficiency of their marketing spend and optimize resource allocation. It’s also allows companies to monitor and compare their performance with competitors in the same industry. By understanding how their company is performing compared to competitors, they can identify their own strengths and weaknesses as well as opportunities to improve their position in the market. By knowing how much revenue is generated for every dollar invested in marketing, companies can evaluate the effectiveness of their marketing strategies and allocate budgets more wisely. These are all essential to achieve success in marketing a product or service in a competitive market. Ferdinand (2000) stated that the indicator marketing performance consists of sales growth, volume sales, and sales profits.

2. Digital Transformation

Zhang, et al (2023), digital transformation is the process of adopting and implementing digital technology by an organization in order to create new or modify existing products, services, and operations. The goal of digital transformation is to increase value through innovation, invention, customer experience, or efficiency. It involves considering how products, processes, and organizations can be changed through the use of new, digital technologies.
Digital transformation can be seen as a socio-technical program that requires cross-departmental collaboration in pairing business-focused philosophies with rapid application development models. Although IT will play an important role in driving digital transformation strategy, the work of implementing and adapting to the massive changes that go along with digital transformation falls to everyone. Adopting digital technology can bring benefits to a business, however, some company cultures can struggle with the changes required by digital transformation. The benefits of digital transformation include creating new business models, improving customer experience, increasing efficiency, and reducing costs.

The COVID-19 pandemic has accelerated the rate of tech adoption, making digital transformation more important than ever. Companies can follow five steps to affect the kind of change they desire: align objectives with business goals, assess current capabilities, create a roadmap, build a strong foundation, and continuously improve. Digital transformation is the integration of digital technology into all areas of a business, fundamentally changing how you operate and deliver value to customers. It's also a cultural change that requires organizations to continually challenge the status quo, experiment, and get comfortable with failure.

Digital transformation is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate and how they deliver value to customers. Beyond that, it's a cultural change that requires organizations to continually challenge the status quo, experiment often, and get comfortable with failure. This sometimes means walking away from long-standing business processes that companies were built upon in favor of relatively new practices that are still being defined.

3. Digital Marketing

Ermaya dan Azhar (2022), state that digital marketing refers to the use of digital channels to market products and services to consumers. It involves the promotion of brands to connect with potential customers using the internet and other forms of digital communication. Digital marketing uses digital technologies such as desktop computers, mobile phones, and other digital media and platforms to promote products and
services. Some examples of digital marketing channels include social media, search engines, email, mobile apps, and websites.

Digital marketing is different from traditional marketing methods like TV or print advertising, and it has become increasingly important because of how accessible digital channels are, Rachbini (2023). Digital marketing allows businesses to leverage different digital channels to connect with existing customers and individuals interested in their products or services. Based on Hawa (2022), digital marketing strategy can help businesses build a brand, provide a great customer experience, bring in potential customers, and more. Digital marketing is still evolving, and as it is dependent on technology which is ever-evolving and fast-changing, the same features should be expected from digital marketing developments and strategies, Hawa (2021).

Some notable highlights of digital marketing include segmentation, which focuses on targeting specific markets in both business-to-business and business-to-consumer sector. Overall, digital marketing is defined by using numerous digital tactics and channels to connect with customers where they spend much of their time: online. The best digital marketers have a deep understanding of how each digital marketing campaign supports their overarching goal.

4. Hypothesis

a. The Effect Of Digital Transformation On Digital Marketing

Dudic, et al (2020), states that the company's ability to use digital marketing will increase its ability to create relationships with customers and position the value of its products in the minds of customers. Research conducted by Dudic, et al (2020) shows that digital transformation have positive effect toward digital marketing. The better digital transformation carried out by a company will increase high digital marketing, that is a way to improve company performance.

As a Previous research by Haenlein, et al (2021), shows that digital transformation have positive effect toward digital marketing. As a research conduct by Jahja and Zeqiri (2021), the result of the research shows that digital transformation have positive effect toward digital marketing. Based on the description above, the hypothesis in this study are:

H1 : digital transformation has a positive effect on digital marketing
b. The Effect Of Digital Marketing On Marketing Performance

Digital marketing can have a significant impact on marketing performance for businesses, particularly for micro, small, and medium enterprises (MSMEs). Iskandar, et al (2022) have examined the relationship between digital marketing and marketing performance, the result is digital marketing has a positive effect on marketing performance.

Digital marketing can positively impact marketing performance for businesses, especially for MSMEs. Implementing digital marketing strategies, developing digital orientation, enhancing marketing capabilities, and utilizing information technology can contribute to improved marketing performance. Additionally, factors such as customer relationship management, database-based networking, and data management capabilities play important roles in enhancing digital marketing performance. Marbun dan Simanjuntak (2021) have examined the relationship between digital marketing and marketing performance, the results showed that digital marketing had a positive and significant effect on marketing performance, along with other factors such as digital orientation and marketing capabilities. Based on the description above, the hypothesis in this study are:

\[ H_2 : \text{digital marketing has a positive effect on marketing performance.} \]

c. The Effect Of Digital Transformation On Marketing Performance

Buck, et al (2022), states that digital transformation in marketing is about using technology to continuously evolve all aspects of the business model, including what it offers, how it interacts with customers, and how it operates. Results of research conducted by Buck, et al (2022), digital transformation has a positive effect on marketing performance.

Marketing should lead digital transformation because it involves using and maximizing the capabilities of a business’s digital presence. A successful digital marketing team can help a business evolve with the right strategy, delivering the right message at the right time to the right person in the right location with adequate data and digital technology. Aini et al (2022), states that digital transformation has a positive effect on marketing performance. Based on the description above, the hypothesis in this study are:
H₃ : digital transformation has a positive effect on marketing performance.

d. The Effect of Digital Transformation on Marketing Performance Through Digital Marketing

Digital marketing allows businesses to reach a wider audience through various online channels such as social media, search engines, and email marketing. This increased reach can lead to greater brand visibility and awareness, ultimately driving more potential customers and increased marketing performance to the business, Harte, et al (2021). Digital marketing can be used as an enabler of digital transformation across enterprises, including micro, small, and medium enterprises (MSMEs). Ibrahim, et al (2023) says that digital marketing adoption of MSMEs may serve as the first-level enabler of digital transformation by allowing the MSMEs to enhance their dynamic capabilities. A the result of the research by Ibrahim, et al, (2023), digital transformation capability has a positive impact on marketing performance.

Hanim, et al, (2021) states digital transformation can positively impact marketing performance through digital marketing for businesses, especially for MSMEs. Implementing digital marketing strategies, developing digital orientation, enhancing marketing capabilities, and utilizing information technology can contribute to improved marketing performance. Additionally, factors such as customer relationship management, database-based networking, and data management capabilities play important roles in enhancing digital marketing performance. Based on the description above, the hypothesis in this study are:

H₄ : Digital transformation has positive effect toward marketing performance through digital marketing

C. Research Methods

This study uses a quantitative approach. The research was conducted in Ajibarang, Banyumas to examine the effect of independent variable toward dependent variable. The first stage of this research is the observation where at this stage what is done is collecting secondary data and primary data. Primary data was collected through a questionnaire filled out by research respondents. This activity was carried out by distributing research instruments in the form of questionnaires to respondents. The respondent are consumers
who had used product from Ajibarang’s MSME bird cage craftsmen. After the data has been collected, the results of the questionnaire will be scored and analyzed using smartPLS. Next is the data analysis stage where at this stage the validity and reliability of the research instrument will be tested. After all have passed the validity and reliability tests, then data analysis is carried out using smart PLS. The results of the PLS calculation will be the basis for analyzing and interpreting the actual research results in the field.

The population of the study was all people who had used product from Ajibarang’s MSME bird cage craftsmen, an unknown number. place according to the research context. Because the population size is not known with certainty, the technique for determining the sample size used in this study is to use the formula according to Suliyanto (2005) as follows. n is number of samples. Z is value with a significance level of 95%, then the value of Z table = 1.96 Moe = Margin Off Error or the maximum error is 10% = 0.1.

Based on the calculation of the sample size determination above, it can be concluded that the samples taken in this study were at least 97 which is a rounding of 96.404. The characteristics of the respondents in this study were as many as 97 respondents who used product from Ajibarang’s MSME bird cage craftsmen. The analysis technique uses Smart PLS to find out the effect of the digital transformation toward marketing performance through digital marketing as a mediating variable.

**D. Result and Discussion**

1. Result

The validity and reliability of all indicators are accepted. Because the output result of Cronbach alpha is more than 0.6. Then the output results from rho_A, Composite Reliability, and the average construct variance (AVE) are more than 0.5. So it can be said that all the indicator variables in this study passed the validity and reliability tests. Both discriminant validity and convergent validity as well as Composite Reliability and Cronbach alpha.

<table>
<thead>
<tr>
<th>Validitas and Reliabilitas Result</th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>Reliabilitas Komposit</th>
<th>Rata-rata Varians Diekstrak (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital transformation</td>
<td>0.965</td>
<td>0.842</td>
<td>0.903</td>
<td>0.757</td>
</tr>
<tr>
<td>Digital marketing</td>
<td>0.817</td>
<td>0.832</td>
<td>0.903</td>
<td>0.757</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0.890</td>
<td>0.908</td>
<td>0.927</td>
<td>0.717</td>
</tr>
</tbody>
</table>
Adjusted R Square is usually used for multiple regression tests, while R Square is used for simple regression. Based on the table above it can be concluded. Digital marketing variables are able to influence digital marketing variable by 55.5%, while the other 44.55% are influenced by other variables that are not in this study. Variable digital marketing and digital transformation affect marketing performance variable by 62.3%. While the other 37.7% is influenced by variables that are not in this study.

<table>
<thead>
<tr>
<th>Variable</th>
<th>R Square</th>
<th>Adjusted R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital marketing</td>
<td>0.555</td>
<td>0.598</td>
</tr>
<tr>
<td>Marketing performance</td>
<td>0.623</td>
<td>0.687</td>
</tr>
</tbody>
</table>

Regression Result

Hypothesis is accepted if the result have p values more than t table and signification value less than 0.05. Digital marketing toward digital transformation has p values of 0.006 less than 0.05 and t value more than t table (2.512 more than 1.97) which means they have a positive and significant effect. Digital transformation towards marketing marketing has p values of 0.001 less than 0.05 and t value more than t table (4.107 more than 1.97) which means they have a positive and significant effect. Digital marketing toward marketing performance have p values of 0.002 less than 0.05 and t value more than t table (7.449 more than 1.97) which means they have a positive and significant effect.

<table>
<thead>
<tr>
<th>T-test Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>Digital marketing -&gt; Digital transformation</td>
</tr>
<tr>
<td>Digital marketing -&gt; Marketing Performance</td>
</tr>
<tr>
<td>Digital transformation -&gt; Marketing Performance</td>
</tr>
</tbody>
</table>

The table below shows that the influence of digital transformation on marketing performance through digital marketing obtained p value of 0.007 less than 0.005 and t value more than t table, in fact that 2.601 more than 1.97, which means that digital marketing mediate the influence between digital transformation and marketing performance.
Indirect Effect

|                                      | Real sample (O) | Average sample (M) | Standar Deviasi (STDEV) | T Statistics (| O/STDEV |) | P Values |
|--------------------------------------|-----------------|--------------------|-------------------------|-------------------------|-----------------|----------|
| Digital transformation -> Digital marketing -> marketing performance | -0,067          | -0,066             | 0,026                   | 2,601                   | 0,007           |

2. Discussion

From the results of research conducted using smart PLS data analysis, it is stated that digital transformation marketing has a positive effect on digital marketing in Ajibarang’s bird cage craftsmen. Based on the results of the research, it shows that the first hypothesis confirms. Digital transformation will increase digital marketing. This is in line with research conducted by Ibrahim, et al, (2023) which states that the higher of a digital transformation strategy can increase digital marketing.

From the results of research conducted using smart PLS data analysis, it is stated that digital marketing has a positive effect on marketing performance in Ajibarang’s bird cage craftsmen. Based on the results of the research, it shows that the second hypothesis confirms. Digital marketing will increase marketing performance. Marketers have used digital marketing to navigate through incredibly difficult business conditions, connecting with customers stuck at home. However, it’s important for marketers to keep their sights on how digital marketing delivers marketing performance’s growth. According to Iskandar et al., (2022), also shows that digital marketing visitors has a positive effect on marketing performance. which states that the higher of a digital marketing strategy can increase digital transformation.

Based on the result of the research, digital transformation has a positive effect on marketing performance. According to Buck et al., (2022), also shows that digital marketing has a positive effect on marketing performance. Increased digital transformation will increase marketing performance of Ajibarang Bird cage craftsmen. All digital-based marketing activities will make it easier to achieve optimal marketing performance.

From the results of research conducted using smart PLS data analysis, it is stated that digital transformation has a positive effect on marketing performance in Ajibarang’s bird cage craftsmen. Based on the results of the research, it shows that the hypothesis confirms.
digital transformation can enhance marketing performance by enabling the use of digital technologies, improving collaboration between marketing and sales, developing digital transformation capabilities, and influencing CSR performance through the digitalization of value chains. Organizations should embrace digital transformation to stay competitive and achieve better marketing outcomes. Increasing digital transformation will make better digital marketing. The use of digital marketing, will make it easier for businesses to position products so as to improve consumer purchasing decisions which will ultimately improve marketing performance.

E. Conclusion

The conclusion of this study: 1) Digital transformation has positive effect on digital marketing; 2) Digital marketing has positive effect on marketing performance; 3) Digital transformation has positive effect on marketing performance; and 4) Digital transformation has positive effect on marketing performance through digital marketing.

References


