

# DIGITAL MARKETING AND INDONESIA'S YOUTH ENTREPRENEURS' BUSINESS

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**Abstract:** ASEAN's goals to become a stop market and production base, a highly competitive region, with a great economic development brings an urgency for every company in Indonesia to utilize technology for the sake of their company growth. The implementation of digital marketing is one of the technology utilizations that the company nowadays bring into their business process. Ciputra University focuses on developing its student's businesses. According to their goals to produce graduates who have an entrepreneurial mindset that is able to establish and manage a sustainable business, Ciputra University becomes one mini representation of the world of new business establishments in Indonesia developed by young people. By looking at how the implementation of digital marketing conducted by Ciputra University's students as startup scale business owners in the city of Surabaya, researchers found the impact on digital marketing to be a very interesting characteristic of youth entrepreneur business performance. This research found that digital marketing implementation relates positively to these youth entrepreneur business achievements such as increased sales and profit, enlarged market share, deepen customer loyalty, and escalated competitive advantage.

**Keywords:** digital marketing, startup business, business performance, SME, youth entrepreneur

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Asean Economic Community (AEC) that started in 2015. The establishment of the ASEAN Economic Community (AEC) in 2015 is one breakthrough in the regional economic integration agenda in ASEAN. Box and Lopez-Gonzalez (2017) stated that the future of technology might be one big opportunity for ASEAN in the age of the digital economy. They suggest that the Internet pro-

vides a platform on which entrepreneurs can build new businesses and promote their ideas, decreasing entry barriers and lowering up the cost of resources for innovative activity.

## Youth Entrepreneur

Youth entrepreneurship becomes so attractive since it offers a solution to economic disadvantage (Blokker and Dallago, 2008; de Clercq and Honig, 2011). As young people are the productive assets of a country, their involvement in the business will strengthen their nation's economic (Zimmermann et al., 2013). One potential way of involving young people in the labour market is to increase youth en-

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trepreneurship which has been done by Ciputra University.

A young person setting up a new business may provide 'presentation' of one business context learning activities (Honig and Martin, 2014; Oosterbeek, van Praag, and Ijsselstein, 2010) and becoming a role model for other young people (Muofhe and Du Toit, 2011; Oktavio, Kaihatu, and Kartika, 2019; Sutrisno, 2019). This may be particularly advantageous in deprived communities because setting up a new business and running it successfully sends a signal that entrepreneurship is a social mechanism for helping disadvantaged people in economic. Youth entrepreneur itself is a group of people that starts their own business at the young age (15 to 25 years old) (Chigunta, Schnurr, James-Wilson, and Torres, 2005; Hulsink and Koek, 2014).

### **Digital Marketing for Youth Entrepreneur Business**

A young entrepreneur is lacking in many aspects (Olugbola, 2017). Young people lack human, social and financial capital (Chesters and Smith, 2015; Fatoki, 2011). These things make it difficult for young people to achieve their entrepreneurial goals (Fatoki, 2011; Olugbola, 2017). That is why, to keep their business running and achieve their business success, they need to seek out entrepreneurial opportunities. One of the opportunities is in the implementation of digital marketing, as they are a generation that is closely related to digital usage in their day to day basis (Anwar and Daniel, 2016; Park, Sung, and Im, 2017). According to the most recent figures from the Current Population Survey's Computer and Internet Use Supplement (NTIA, 2004), the most connected age group among Internet users is the segment of those between 18 and 24 who are in school, with 86.7% online rate in 2003. Past reports of the Pew Internet and American Life Project, a premier authority about Americans' Internet uses based on their regular nationwide surveys, have shown growth in the percentage of young people between 18 and 29 who go online (Hargittai and Hinnant, 2008).

Digital marketing is maximizing the usage of the internet to deliver promotional marketing mes-

sages to consumers (Grubor and Jaksa, 2018; Samson, Mehta, and Chandani, 2014). This includes many things such as email marketing, search engine marketing, social media marketing, many types of display advertising (including web banner ads), and mobile advertising (Pawar, 2014). In this research, based on Pawar (2014) the implementation of digital marketing is defined in six aspects: a) digital marketing implementation as a mean of increasing awareness and reaching new customers; b) digital marketing implementation as a mean of showcasing a product/business gallery; c) digital marketing as an advertising tools (relating with ads placement, product endorse, etc.); d) digital marketing as a mean of promotion (relating with discount, cashback, and other promo package); e) digital marketing as a analytic tool to measure market reach periodically; and f) digital marketing as a mean of maintaining a good communication with customers.

### **Knowledge of Digital Marketing Function for Youth Entrepreneur**

Kithinji (2014) states that firms that have embraced the use of internet marketing reap the benefits of ease of linking and communicating to clients and stakeholders for mutual benefit. By implementing digital marketing, one business is optimizing the usage of social networks provided by the internet (Grubor and Jaksa, 2018; Pawar, 2014; Yadav, 2017). Social networks meant as platforms where people able to socialize, meet old and new friends and interact with each other (Brandtzæg and Heim, 2009). By digital technology, every meeting might turn into business opportunities, any idea which is being shared could open doors for business collaboration (Merschbrock and Munkvold, 2015). In digital marketing, as the internet is implemented into business organizations, so also the commercial value of social media networks issues raised and got the business owners' and managers' attention (Oyza and Edwin, 2015). Once youth entrepreneurs realize and have enough understanding that by socializing digitally and using digital technology as their businesses' marketing tools they will implement the six aspects of digital marketing as stated above better. Afifah, Najib, Sarma, and Leong (2018) also uses knowl-

edge of digital marketing usage in her research on SMEs. This research will see knowledge in another view point by focusing on young entrepreneurs understanding of digital marketing function specifically as social platforms and as a marketing tools, which later on also deepen by seeing their online frequency.

**H1: Knowledge of Digital Marketing Function Relates Positively to the Implementation of Digital Marketing**

**Youth Entrepreneur’s Online Frequency**

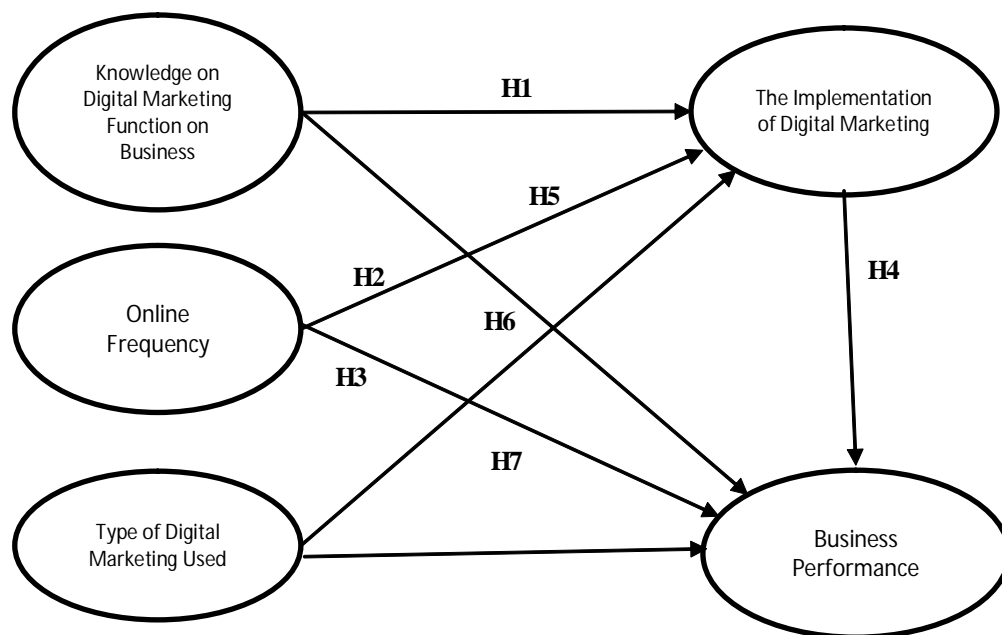
Afifah et al. (2018) use online frequency as one variable to measure business performance to digital marketing. This research relates the previous theory about the function of digital marketing as social platforms and marketing tools to construct a different indicator. As Pawar (2014) states that the number of people involving the internet in their daily activities has really increased, their reasons for using it is different from one to another. However, major reasons why they use the internet is for a source of information, social networking, entertainment, financial transactions, and marketing needs. This research limits itself into two of many reasons, social networking and marketing needs. The online frequency will be analysed from previously

to reasons. Realizing that knowledge of digital marketing function and online frequency based on its function is not enough for building the case, this research will also see the type of digital marketing used for business.

**H2: Online Frequency Relates Positively to the Implementation of Digital Marketing**

**Type of Digital Marketing Used**

Affiliate marketing is giving the advertising job to third parties (Pawar, 2014). Third-party affiliates receive payment and get their profit on sales converted through their promotional effort (Hu, Shin, and Tang, 2016). Affiliates that are usually be called an advertising agency manages digital advertisements in any internet platform and optimize the advertising algorithm base on digital pattern tweaking and digital measurement periodic reporting to ensure that their client business performance is increasing (Nadler, Crain, and Donovan, 2018). Other types of digital marketing that are usually used by new businesses are those marketing effort which is done by themselves, and it relates with basic digital marketing, such as email activation, social media activation, website activation, etc (Bezhovski, 2015). This research aims to see the type of digital marketing



*Figure 1*

usage used by youth entrepreneurs and how it relates to their business performance.

H3: Type of Digital Marketing Function Relates Positively to the Implementation of Digital Marketing

**Business Performance**

According to Kithinji (2014), any business performance achievements will relate to increased sales and profit, enlarged market share, deepen customer loyalty, and escalated competitive advantage.

H4: The Implementation of Digital Marketing Relates Positively with Business Performance

H5, H6, H7: Knowledge of Digital Marketing Function on Business, Online Frequency, and Type of Digital Marketing Used Relates Positively with Business Performance (Figure 1)

**METHOD**

A hypothesis is tested using the Structural Equation Modelling (SEM) method with Smart PLS. While the research analysis unit is Ciputra University's students as youth entrepreneurs who conduct business on a micro scale. The research data is quantitatively analysed. This causality study

has the objective to analyse whether there is an effect of digital marketing variables on business performance. The types of data used are primary data and secondary data. The questionnaire was distributed by giving in person. While secondary data obtained from the internet and other literature. The variable questions examined are based on five Likert scales. Likert scale is used to measure the attitudes, opinions and perceptions of someone about social phenomena, where the answer to each item of the instrument has a range from strongly agree to strongly disagree. The structure of the questions is closed. Meanwhile, a structured observation method is also used for preliminary study.

**RESULTS**

**Descriptive Analysis**

**Respondent Characteristics**

Characteristics of youth entrepreneurs conducting a business examined in this study are gender, age, business period, business type, province of origin and other initial distinction important to start the business. From a total of 93 respondents, 64.5% is male and the rest 35.5% is female that mostly ranged from age 18-20 years old (78.5%). 19.4% ranged

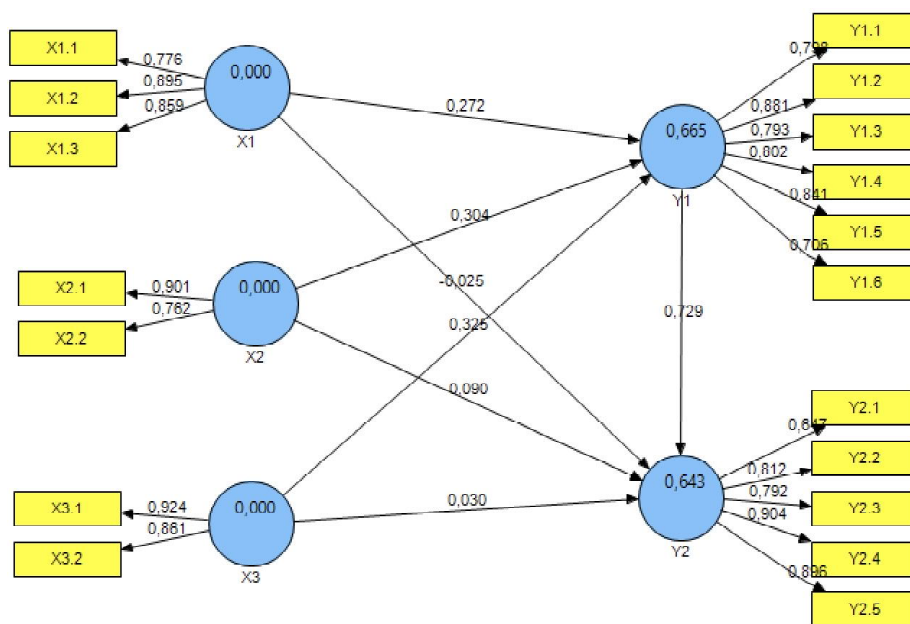
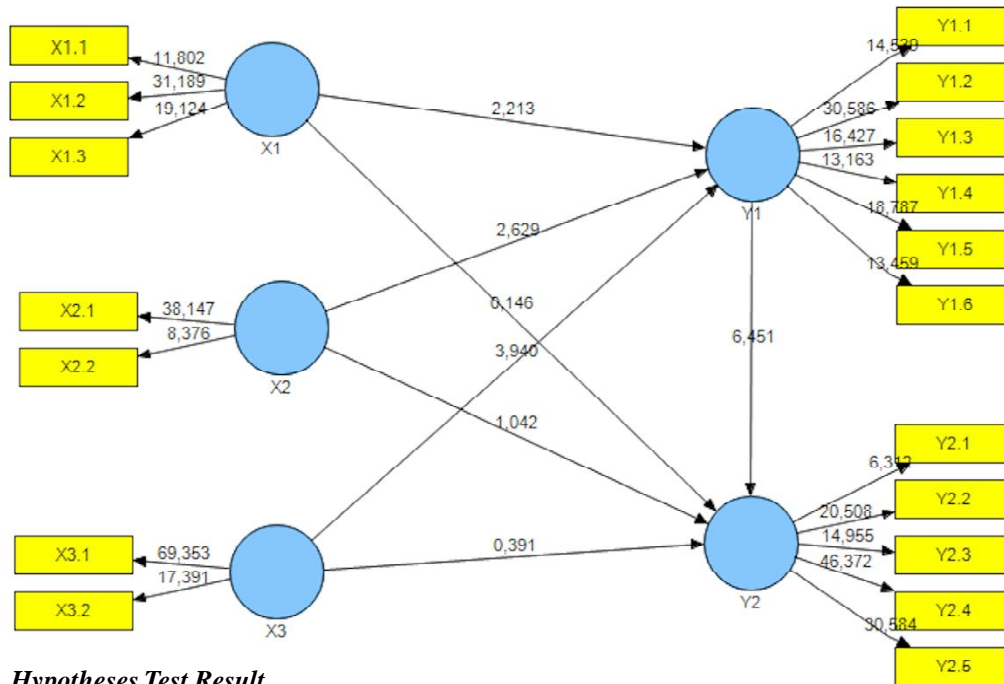


Figure 2 PLS



**Figure 3 Hypotheses Test Result**

**Table 2 Bootstraps Results**

Hypotheses	T Statistic	T-Table	Result
Knowledge of Digital Marketing Function Relates Positively to the Implementation of Digital Marketing	2,213212	1.66140	H1: Accepted
Knowledge of Digital Marketing Function Relates Positively to the Business Performance	0,145643	1.66140	H2: Unaccepted
Online Frequency Relates Positively to the Implementation of Digital Marketing	2,629309	1.66140	H3: Accepted
Online Frequency Relates Positively to the Business Performance	1,041791	1.66140	H4: Unaccepted
Type of Digital Marketing Function Relates Positively to the Implementation of Digital Marketing	3,940423	1.66140	H5: Accepted
Type of Digital Marketing Function Relates Positively with Business Performance	0,391301	1.66140	H6: Unaccepted
The Implementation of Digital Marketing Relates Positively with Business Performance	6,450721	1.66140	H7: Accepted

from 20-25 years old, and only 2.2% is under 18 years old. These youth entrepreneurs have been doing their business mostly for 1-2 years (63.4%), less than 1 year (29%) and only 5.4% been doing business for more than 2 years. Textile (mostly fashion) is the most business type that they are creating (40.9%), leather products are the second biggest business type (37.6%) followed by accessories business, services business, food and beverages, and lastly digital application business. Most of them (80.6%) come from East Java territory.

### **Model Result Evaluation**

Relationship models that affect student business performance are analyzed using SMART PLS version 2.0. There are 5 latent variables in the model, 5 of them are Knowledge (X1), Online Frequency (X2), Digital Marketing Type (X3), Implementation of Digital Marketing (Y1), and Business Performance (Y2).

The results of the analysis of the outer model in the student business model have a coefficient value  $> 0.7$ . Evaluation of the outer reflective model on variables using the composite reliability criteria ( $\bar{r}c$ ), Cronbach's alpha, indicator reliability, and average variance extracted (AVE). All variables on composite reliability are  $> 0.7$ . Cronbach's alpha value  $> 0.7$ , and average variance extracted (AVE) value  $> 0.6$ . each loading factor  $> 0.7$

### **DISCUSSION**

When talking about digital marketing and its relationship with the growth of young entrepreneurs, developing countries such as Indonesia have several different phenomena, and several things have been captured in this research including an understanding of the functions of digital marketing, frequency of internet use, type of digital marketing used, and its relation with the execution in terms digital marketing implementation in small scale business, which is positive, and significant.

From the research that has been done by doing the analysis from total of 92 respondents, that mostly aged around 18-20 and has 1-2 years small scale business, it can be conclude that the success of the implementation of digital marketing which some of

it covers the use of email for business purposes, the use of social media as a product gallery, the use of chat platforms, the use of digital advertising, measurement of media coverage, and the use of online vouchers as promotions for the sake of one excellent business performance, these youth entrepreneurs need to be equipped with a good knowledge of basic digital marketing itself - relating with the functions and its operations or its manuals. A better public understanding of digital literacy (in this case in the marketing area) drives better business performance (Mohammadyari and Singh, 2015; Murdoch and Fichter, 2017). Besides, youth entrepreneurs need to have the willingness to implement digital marketing in their small scale business starting with learning the knowledge of digital marketing (Nikunen, Saarela, Oikarinen, Muhos, and Isohella, 2017), getting themselves used of using internet in their day to day activities - whether it is for their personal relation needs or for their business needs and doing the digital marketing process - by themselves or by third party agency (affiliates) (Afifah et al., 2018; Grubor and Jaksa, 2018; Murdoch and Fichter, 2017; Olugbola, 2017).

Digging further into the relation between all of the three variables directly to business performance, there is one interesting finding shows that no significant relation between knowledge of digital marketing, online frequency, and the type of digital marketing to business performance. Although Marjolein (2014) stated that the internet used by small scale businesses supports the more efficient exchange of information stimulates and problem solving at an early stage, but this research shows us that only the knowledge itself will not give a significant impact before it is applied. For instance, some students (young entrepreneurs) that have more knowledge of digital marketing don't necessarily build a successful business if they are not implementing their knowledge as a real practice in their business.

### **Managerial Implications**

Seeing the result of this research, business education in Indonesia should spare some space in their curriculum for digital marketing education. Universities policy maker, for instance, has to realize ben-

efits derived from digital marketing for small scale business, for its impacts on business performance. Supporting that cause, this education system should also prepare a system that gives the students a chance to do a real practice for the knowledge that they got. The creation of digital marketing awareness is recommended to be blended into the whole teaching and learning process. Actions need to be done to create the digital environment inside campus so that the challenges in internet marketing application could be resolved sooner.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

From this research, it is suggested there is a significant impact on the implication of digital marketing to a very interesting characteristic of youth entrepreneur business performance, and these are affected by their online frequency and type of digital marketing used, besides the knowledge that they have about digital marketing function. The more knowledge they have about digital marketing, the bigger the tendency to implement digital marketing in their business, supported by how they get used to the usage of the internet itself or their online frequency. There is the highest probability of young entrepreneurs to use their knowledge of digital marketing and their habit of using the internet on a daily basis for the sake of increasing their small-scale business performance. All of that started with the willingness that needed to be supported by the surrounding (system and regulation), in this case, we talk about the education system or curriculum. The knowledge of basic digital function should be given to young people in Indonesia sooner. This research found that digital marketing implementation relates positively to these youth entrepreneur business achievements such as increased sales and profit, enlarged market share, deepen customer loyalty, and escalated competitive advantage.

### **Recommendations**

Based on the result of this research and the conclusions obtained, future researchers should take

another sample from another business university in Indonesia or another country. As it is already concluded in this research that knowledge is one of main concern of the digital marketing implementation success in business, other further comparative studies are needed to be done to create a better understanding of what motivates youth entrepreneur to learn the knowledge of digital marketing and what might lessen their motivation, also what kind of education surrounding that should be arranged to supports digital marketing knowledge penetration to university students conducting business specifically and youth entrepreneur in general.

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