Digital Marketing Potential in Indonesia Based on Macroeconomic Data in Indonesia

Imam Suryono[1]
[1]Jakarta Islamic University, Indonesia

Abstract:

The goal of this research is to describe the potential of digital marketing in Indonesia by examining the causal link between economic development, public consumption, and internet users. This study examines the potential of digital marketing with indicators of internet users and economic growth and consumption. The research time frame for this study, which employs "autoregressive vectors," is 2000 to 2020. The World Bank provided secondary data for this study. Using vector equations, this study investigates the relationship between the variables. We found that internet users are an indicator of the connectedness of the population to the world of the internet, which are potential consumers of digital marketing. The increase in internet users has had an impact on increasing the consumption of the Indonesian people. Of course, this shows that there is enormous potential for digital marketing to drive demand in Indonesia.

Background

Talking about digital marketing and e-commerce in digital age. It is worth noting how the COVID-19 pandemic has changed the way businesses operate. It affects all business sectors without exception, as we see most of them moving to work remotely via the Internet (Nanda & Zhang, 2021). That increases the tendency to develop technologies that serve companies and individuals (Blut, Wang, Wünderlich, & Brock, 2021). Therefore, digital marketing and e-commerce have the greatest impact. Where the business switches to selling online and focuses on digital marketing in increasing sales and reaching customers. It's clear that companies are depending on their success to keep pace with digital marketing and e-commerce developments in the face of the pandemic (Goldman, van Herk, Verhagen, & Weltevreden, 2021).

Major social networking sites like Facebook, Instagram, TikTok, and Snapchat, tend to provide in-app shopping features. Which means supporting social commerce through it (Ma & Hu, 2021). Things that increase brand competition to create good content to sell to consumers, are present on social networking sites on a large scale and continuously (He, Zhang, Tian, Tao, & Akula, 2019). This trend of applications will continue to develop features that support trading in the coming year (Wewege, Lee, & Thomsett, 2020). Therefore, companies must take advantage of social platforms and focus on them to survive in the market firmly (Cartwright, Liu, & Raddats, 2021).

The most common behavior change worldwide this year was the accelerated adoption of e-commerce. As a result of social restrictions and other restrictions, interest in online purchases has increased to become more compact and smooth (Costa & Castro, 2021). This makes brands tend to develop marketing content to get out of the ordinary and catch the attention of customers

82

among the millions of other brands that customers are exposed to every day (Redjeki & Affandi, 2021). In the digital age brands should consider integrating short videos and influencer marketing strategies into their marketing strategies (Haenlein, Anadol, Farnsworth, Hugo, Hunichen, & Welte, 2020). The idea is to engage consumers in product marketing with dynamic, engaging content (Shawky, Kubacki, Dietrich, & Weaven, 2020). This is provided by the method of providing content with influencers, which helps to understand consumer interests and achieve high-value returns (Cartwright, Liu, & Davies, 2022).

The most successful leaders see their primary mission as communicating company values directly to target customers, and communicating effectively with customers, investors, and activists (Bhagwat, Warren, Beck, & Watson IV, 2020). Through it, the company can clearly reflect its personality and increase the sincerity of its presence on social media (Robertson, Lord Ferguson, Eriksson, & Näppä, 2019). Thus gaining customer trust in the brand. This is the most important modern digital marketing trend, which is the challenge of the digital age (Urdea, Constantin, & Purcaru, 2021). It's about keeping the internet an open and safe place where everyone can participate without worrying about their data (Zeadally, Siddiqui, Baig, & Ibrahim, 2020).

The cost of reaching the desired audience across social platforms is steadily increasing (Constantinescu, Orindaru, Pachitanu, Rosca, Caescu, & Orzan, 2019). Brands that don't invest in new ways of communicating and marketing to interested audiences will realize this mistake in the years to come (Smith & Fischer, 2021). As a result, most brands tend to communicate directly with their audience using tools like text messages, notifications, emails, and more (Techakana, 2020). Consumers are now spending more and more time shopping online, and thus influencers play an important role in brand marketing (Eastman, Shin, & Ruhland, 2020). And to capitalize on the enormous growth of e-commerce. Brands should focus on building digital influencer marketing programs. These programs should support user journeys and drive traceable buying and selling funnels (Ghalwash, Ismail, & Maurya, 2022).

Store apps are now trending to track user behavior across apps offline. Apart from that, developing offline online shops on local streets. All of this increases the opportunities for brands to take over consumers both online and offline (Ratchford, Soysal, Zentner, & Gauri, 2022). The prospects for digital marketing have clearly increased in the era of covid 19 (Chapuzet & Bawono, 2021). However, research from Rosario, & Cruz, (2019) here has concluded the opposite.

The difference in research results becomes a gap in this study. This research looks broadly at macro data so that it can be generally described in the territory of Indonesia. The goal of this research is to describe the potential of digital marketing in Indonesia by examining the causal link between economic development, public consumption, and internet users.

Research Method

This study examines the potential of digital marketing with indicators of internet users and economic growth , and consumption. The research time frame for this study, which employs "autoregressive vectors," is 2000 to 2020. The World Bank provided secondary data for this study. Using vector equations, this study investigates the relationship between the variables. This study uses the following equation:

$$GDP_t = \beta_0 + \beta_1 Cn_{t1} + \beta_2 Iuse_{t2} + et$$
$$Cn_t = \beta_0 + \beta_1 GDP_{t1} + \beta_2 Iuse_{t2} + et$$
$$Iuse_t = \beta_0 + \beta_1 GDP_{t1} + \beta_2 Cn_{t2} + et$$

Description :
GDP : Gross domestic product as an indicator of economic growth
Cn : National consumption in Indonesia
Iuse : National Internet users in Indonesia
t : time series
β : the strength of the causal influence
E : error term

Each regression connection in this study is merged into a vector, which alternates each variable's status as a dependent and independent variable. In this research, the following equation was used for the unit root test:

$\Delta Y1 = \alpha 0 + \beta 0T + \beta 1Yt\text{-}1 + \sum_{(i-1)}^{q} \alpha 1 \Delta Yt\text{-}1 + et$

and the following are the null and alternate hypotheses:
Null hypothesis: α=0
alternate hypothesis: α≠0

Result and Discussion
Stationarity test to meet the assumptions of the autoregressive vector. The results of the testing are reported in table 1.

Table 1. Unit Root Test

	Unit Root	ADF Stat. value	5% Crit. Value	Result
Economic Growth (GDP)	Level	-0.427856	0.7661	
	First Diff	-1.888541	0.2918	
	Second Diff	-2.921532	0.0182	Stationer
Consumption (Cn)	Level	-1.772341	0.2926	
	First Diff	-1.712114	0.2761	
	Second Diff	-2.211132	0.0293	Stationer
Internet User (Iuse)	Level	5.911421	0.8112	
	First Diff	-3.113315	0.7123	
	Second Diff	-6.772171	0.0000	Stationer

GDP, Cn, and Iuse data are stationary on the second difference, the next step is to find the optimum log with the results presented in table 2.

Table 2. Optimum lag test

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-118.59213	NA	68.11726	14.72731	13.12138	14.73712
1	-59.78376	89.32563*	0.196289	8.152341	9.13227	8.141412
2	-43.91244	16.90115	0.151417	8.385161	10.95791	8.571151
3	-13.59113	13.26721*	0.197117*	6.931517*	9.28311*	7.981841*

Lag 3 is the best lag because lag 3 has the highest value marked *, so lag 3 is selected as the optimum lag. VAR (Vector Autoregressive) investigates the relationship between variables with the results presented in table 3.

Table 3. Vector Model Analysis

	GDP	Cn	Iuse
GDP	0.671113	0.311903	0.541451
	(0.65163)	(0.67225)	(0.71117)
	[1.05921]	[0.52406]	[0.70194]
Cn	1.011782	1.178642	0.397915
	(1.53652)	(1.582412)	(0.53616)
	[1.76667]	[1.01637]	[0.67117]
Iuse	0.294181	0.457692	0.365513
	(0.32871)	(0.48123)	(0.42251)
	[1.21361]	[1.37931]	[1.14261]
C	-8.227287	-7.235859	-2.163871
	(3.91223)	(5.05090)	(4.35191)
	[-1.91517]	[-1.62917]	[-0.35151]
R-sq.	0.827261	0.818146	0.875321
Adj. R-sq.	0.715331	0.713123	0.861171

Economic growth in the present and the past is not significant with a coeff value of 0.671113 and a t-stat value of 0.65163. However, economic growth has had a significant impact on public consumption nationally and internet users in Indonesia. Indonesian consumption also has a significant impact on economic growth and internet users. Likewise internet users have a significant positive impact on economic growth, public consumption and internet users in the future. The growth of internet users in Indonesia is the potential of digital marketing which is confirmed by a significant positive relationship with domestic consumption and economic growth. This means that digital marketing has good prospects in increasing demand for domestic production.

Conclusion

Internet users are an indicator of the connectedness of the population to the world of the internet, which are potential consumers of digital marketing. The increase in internet users has had an impact on increasing the consumption of the Indonesian people. Of course this shows that there is enormous potential for digital marketing to drive demand in Indonesia.

References

Bhagwat, Y., Warren, N. L., Beck, J. T., & Watson IV, G. F. (2020). Corporate sociopolitical activism and firm value. Journal of marketing, 84(5), 1-21.

Blut, M., Wang, C., Wünderlich, N. V., & Brock, C. (2021). Understanding anthropomorphism in service provision: a meta-analysis of physical robots, chatbots, and other AI. Journal of the Academy of Marketing Science, 49(1), 632-658.

Cartwright, S., Liu, H., & Davies, I. A. (2022). Influencer marketing within business-to-business organisations. Industrial Marketing Management, 106 (1), 338-350.

Cartwright, S., Liu, H., & Raddats, C. (2021). Strategic use of social media within business-to-business (B2B) marketing: A systematic literature review. Industrial Marketing Management, 97(1), 35-58.

Chapuzet,A.C., & Bawono,S.(2021). New Way Modern Marketing. Malang : Janega Press

Constantinescu, M., Orindaru, A., Pachitanu, A., Rosca, L., Caescu, S. C., & Orzan, M. C. (2019). Attitude evaluation on using the neuromarketing approach in social media: Matching company's purposes and consumer's benefits for sustainable business growth. Sustainability, 11(24), 1-10.

Costa, J., & Castro, R. (2021). SMEs must go online—E-commerce as an escape hatch for resilience and survivability. Journal of Theoretical and Applied Electronic Commerce Research, 16(7), 3043-3062.

Eastman, J. K., Shin, H., & Ruhland, K. (2020). The picture of luxury: A comprehensive examination of college student consumers' relationship with luxury brands. Psychology & Marketing, 37(1), 56-73.

Ghalwash, S., Ismail, A., & Maurya, M. (2022). Scarabaeus Sacer: an iconic green brand advocating sustainability in the era of digital economy and connectivity. Emerald Emerging Markets Case Studies, 12(4), 1-34.

Goldman, S. P., van Herk, H., Verhagen, T., & Weltevreden, J. W. (2021). Strategic orientations and digital marketing tactics in cross-border e-commerce: Comparing developed and emerging markets. International small business journal, 39(4), 350-371.

Haenlein, M., Anadol, E., Farnsworth, T., Hugo, H., Hunichen, J., & Welte, D. (2020). Navigating the New Era of Influencer Marketing: How to be Successful on Instagram, TikTok, & Co. California management review, 63(1), 5-25.

He, W., Zhang, W., Tian, X., Tao, R., & Akula, V. (2019). Identifying customer knowledge on social media through data analytics. Journal of Enterprise Information Management, 32(1), 152-169.

Ma, Y., & Hu, Y. (2021). Business model innovation and experimentation in transforming economies: ByteDance and TikTok. Management and Organization Review, 17(2), 382-388.

Nanda, A., Xu, Y., & Zhang, F. (2021). How would the COVID-19 pandemic reshape retail real estate and high streets through acceleration of E-commerce and digitalization?. Journal of Urban Management, 10(2), 110-124.

Ratchford, B., Soysal, G., Zentner, A., & Gauri, D. K. (2022). Online and offline retailing: What we know and directions for future research. Journal of Retailing, 98(1), 152-177.

Redjeki, F., & Affandi, A. (2021). Utilization of Digital Marketing for MSME Players as Value Creation for Customers during the COVID-19 Pandemic. International Journal of Science and Society, 3(1), 40-55.

Robertson, J., Lord Ferguson, S., Eriksson, T., & Näppä, A. (2019). The brand personality dimensions of business-to-business firms: a content analysis of employer reviews on social media. Journal of Business-to-Business Marketing, 26(2), 109-124.

Rosario, A. M. F. T., & Cruz, R. N. (2019). Determinants of innovation in digital marketing. Journal of Reviews on Global Economics, 8(1), 1722-1731.

Shawky, S., Kubacki, K., Dietrich, T., & Weaven, S. (2020). A dynamic framework for managing customer engagement on social media. Journal of Business Research, 121(1), 567-577.

Smith, A. N., & Fischer, E. (2021). Pay attention, please! Person brand building in organized online attention economies. Journal of the Academy of Marketing Science, 49(1), 258-279.

Techakana, J. (2020). Book review: 130 trends and predictions for digital marketing 2020. Journal of the Association of Researchers, 25(2), 475-492.

Urdea, A. M., Constantin, C. P., & Purcaru, I. M. (2021). Implementing experiential marketing in the digital age for a more sustainable customer relationship. Sustainability, 13(4),1-10.

Wewege, L., Lee, J., & Thomsett, M. C. (2020). Disruptions and digital banking trends. Journal of Applied Finance and Banking, 10(6), 15-56.

Zeadally, S., Siddiqui, F., Baig, Z., & Ibrahim, A. (2020). Smart healthcare: Challenges and potential solutions using internet of things (IoT) and big data analytics. PSU research review, 4(2), 149-168.