THE ROLE OF DIGITAL MARKETING IN IMPROVING SMEs’ FASHION PRODUCT COMPETITIVENESS IN THE ASEAN ECONOMIC COMMUNITY (AEC): COMPARATIVE STUDY IN INDONESIA AND MALAYSIA

DADANG FIRMANSYAH

GRADUATE SCHOOL
BOGOR AGRICULTURAL UNIVERSITY
BOGOR
2019
DECLARATION OF THE THESIS, SOURCE OF INFORMATIONS AND COPYRIGHT

I hereby declare that this thesis entitled “The Role of Digital Marketing in Improving SMEs’ Product Competitiveness in The ASEAN Economic Community (AEC) : Comparative Study in Indonesia dan Malaysia” is my manuscript under the supervision of supervisor committee and never been proposed to another university elsewhere. Any sources of information are from other authors in the published and non-published articles are cited in the texts and references at the end of this thesis.

I hereby assign the copyright of my research to the Bogor Agricultural University.

Bogor, January 2019

Dadang Firmansyah
Student ID H251160211
SUMMARY

DADANG FIRMANSYAH. “The Role of Digital Marketing in Improving SMEs’ Fashion Product Competitiveness in The ASEAN Economic Community (AEC) (Comparative Study in Indonesia dan Malaysia)”. Supervised by MA’MUN SARMA, JONO M. MUNANDAR, and NOOR AZLIN ISMAIL.

Economic growth in Indonesia which is very inseparably significant from the role of Small and Medium Enterprises (SMEs). SMEs contribute greatly to the economies of Indonesia, Malaysia and ASEAN. Currently it’s around 96% of the business forms in ASEAN are Small and Medium Enterprises (SMEs) with contributions to gross domestic product (GDP) about 33.1% to 57.6%, and absorbing 46.8% to 96.9 % employment. Perspektively Indonesia and Malaysia while technological developments and increasing internet users in the world including Indonesia, it has an impact on the economy and business activities including SME players. Business activities that were initially carried out by meeting directly between sellers and buyers are now starting to switch to using the internet.

Indonesia is in the midst of a digital trend but not only in Indonesia but also in Malaysia as allied country, in ASEAN and in international level. Internet users in Indonesian, Malaysian and ASEAN communities increase every year. The e-commerce growth in ASEAN with a percentage of 10-15%, namely Indonesia, Malaysia and Thailand that are the three countries with the highest growth. This has changed business activities from direct meeting between sellers and buyers to internet media with indirect interaction that make no boundaries each countries.

Not all SMEs realize the importance of digital marketing role in running their businesses so that not all SMEs managed these opportunities optimally. This study will focused on how the influence of digital marketing on improving the competitiveness of SME products by analyzing promotion strategies in digital marketing. This study specialty aims (i) to identify the characteristics of Indonesian and Malaysian SMEs, (ii) analyze the influence of digital marketing on the SMEs’ competitiveness in Indonesian and Malaysian at the MEA level, dan (iii) analyze the effectiveness of digital marketing in Indonesian and Malaysian SMEs.

This research was conducted in two countries, namely in Bandung, West Java, Indonesia and in Bandar Baru Bangi, Selangor Malaysia as collaboration between IPB and University Putra Malaysia in April - June 2018. The population in this study is SMEs in Little Bandung and SMEs in Malaysia. The sampling method uses the accidental sampling method, which is 100 SMEs in Indonesia and 110 SMEs in Malaysia over a period of three months by distributing questionnaires to all SMEs in there. The data that have been collected will be analyzed quantitatively and the descriptive approach. Quantitative analysis is carried out using a different test model and structural equation model (SEM) approach.

The results showed that the characteristics of SMEs in Indonesia and Malaysia were basically not much different but there were some differences, namely the majority of female Indonesian SMEs as much as 58% while Malaysian
SMEs were dominated by men as much as 75%, the respondent age from the two countries dominated 26-35 years old with a percentage of 67% in Indonesia and 75% in Malaysia. The highest educational background is diploma and bachelor level about 50% in Indonesia and 62.7% in Malaysia, SMEs have been running their businesses online for 1-5 years with a percentage of 74% in Indonesia and 62% in Malaysia and the highest number of workers is in categories 1 - 4 with 43% in Indonesia and 24% in Malaysia.

Based on the analysis result that Digital Attitude and Leadership Skill variables show a significant effect on Digital Leadership Capability where an employee will have the capability if supported by the attitudes and skills of the HR. Digital Culture has a significant effect on Digital Marketing where each employee's cultural dimensions support in implementing Digital Marketing. Digital Marketing has a significant effect on Competitiveness based on data from respondents from Indonesia and Malaysia. There is a different in Malaysian respondents' data that the Digital Leadership Capability variable show a significant effect on Competitiveness. The finding can be concluded that Malaysian SME respondents in a technological mastery capability are one step ahead than respondents in Indonesia. Based on the results of SEM PLS analysis, it can be concluded that Digital Culture show a direct effect on Digital Marketing while Leadership Skill and Digital Attitude indirectly affect Digital Marketing or it will influence through the establishment of Digital Leadership Capability and then affect Digital Marketing.

Based on the results of this study, SMEs require the right digital marketing strategy in increasing competitiveness through the influence of digital marketing. It also includes the selection of social media, and making creative content the spearhead of marketing communication, to enhance SME's digital marketing capabilities through an using social media, website and marketplace in better capability level. Stakeholders are expected to conducted a sustainable workshop program or training for SMEs such as marketing creator content writing skills and skills in using various promotional strategy applications through social media and other digital platforms. Malaysian SMEs expected to focus on training on improving Digital Capability through training in building Web and other digital platforms while Indonesian SMEs are expected to focus more on improving mastery of Digital Marketing, especially the use of social media.

Keywords : Digital Marketing, Competitiveness, SMEs, Indonesia, Malaysia
RINGKASAN

DADANG FIRMANSYAH. “The Role of Digital Marketing in Improving SME’s Fashion Product Competitiveness in The ASEAN Economic Community (AEC) (Case Study in Indonesia dan Malaysia)”. Dibimbing oleh MA’MUN SARMA, JONO M. MUNANDAR dan NOOR AZLIN ISMAIL.

Pertumbuhan ekonomi di Indonesia yang sangat signifikan tidak terlepas dari peran Usaha Kecil dan Menengah (UKM). UKM berkontribusi besar terhadap perekonomian Indonesia, Malaysia maupun ASEAN. Saat ini sekitar 96 % bentuk usaha di ASEAN adalah Usaha Kecil dan Menengah (UKM) dengan kontribusi pada produk domestik bruto (PDB) sekitar 33,1% sampai 57,6%, dan menyerap tenaga kerja sekitar 46,8% sampai 96,9%. Seiring dengan perkembangan teknologi dan meningkatnya pengguna internet di Indonesia dan di seluruh dunia, membawa dampak pada bidang perekonomian dan aktivitas bisnis termasuk pelaku UKM. Aktivitas bisnis yang awalnya dilakukan dengan cara bertemu langsung antara penjual dan pembeli kini mulai beralih dengan menggunakan internet.

Indonesia sedang berada di tengah - tengah tren digital akan tetapi bukan hanya di Indoensia melainkan terjadi di Malaysia sebagai negara serumpun bahkan di tingkat ASEAN dan Internasional. Pengguna internet masyarakat Indonesia, Malaysia maupun ASEAN setiap tahun semakin bertambah. Pertumbuhan e-commerce di ASEAN dengan persentase 10 – 15 % yaitu Indonesia, Malaysia dan Thailand merupakan tiga negara dengan pertumbuhan tertinggi. Hal ini berfungsi terhadap aktivitas bisnis yang awalnya dilakukan dengan cara bertemu langsung antara penjual dan pembeli kini mulai beralih dengan menggunakan media internet bahkan sudah tidak ada batasan antar negara.

Pelaku UKM tidak semua menyadari pentingnya peranan marketing digital dalam menjalankan usahanya sehingga masih ada UKM yang belum mengelola peluang tersebut secara maksimal. Penelitian ini akan memfokuskan mengenai bagaimana pengaruh marketing digital terhadap peningkatan daya saing produk UKM dengan cara menganalisis strategi promosi marketing digital. Penelitian ini bertujuan (i) untuk mengidentifikasi karakteristik pelaku UKM Indonesia dan Malaysia, (ii) menganalisis hubungan pengaruh marketing digital terhadap daya saing UKM Indonesia dan Malaysia di tingkat MEA, (iii) menganalisis faktor - faktor efektivitas marketing digital pada UKM Indonesia dan Malaysia.

Hasil penelitian menunjukkan bahwa Karakteristik UKM yang ada di Indonesia dan Malaysia pada dasarnya tidak jauh berbeda akan tetapi ada beberapa perbedaan yaitu mayoritas Pelaku UKM Indonesia perempuan sebanyak 58% sedangkan pelaku UKM Malaysia di dominasi oleh laki - laki sebanyak 75%, usia responden kedua negara mayoritas di usia 26 - 35 tahun dengan persentase 67% di Indonesia dan 75% di Malaysia. Latar belakang pendidikan paling banyak setingkat Diploma dan Sarjana sebanyak 50% di Indonesia dan 62,7% di Malaysia, para pelaku UKM sudah menjalankan usahanya secara online selama 1 - 5 tahun dengan persentase 74% di Indonesia dan 62% di Malaysia serta jumlah tenaga kerja paling banyak di kategori 1 - 4 orang dengan persentase 43 % di Indonesia dan 24% di Malaysia.


Berdasarkan hasil penelitian ini bahwa dalam peningkatkan daya saing melalui pengaruh digital marketing yaitu membutuhkan strategi Digital Marketing yang tepat, pemilihan media sosial yang lebih selektif, dan menjadikan konten kreatif sebagai ujung tombak komunikasi pemasaran, untuk meningkatkan kemampuan marketing digital UKM melalui pemanfataan media sosial, web dan marketplace pada tingkat kapabilitas yang lebih baik maka diharapkan para stake holder dapat membuat program workshop atau pelatihan kepada UKM yang sustainable dalam bentuk keterampilan penulisan konten kreator pemasaran dan keterampilan penggunaan berbagai aplikasi strategi promosi melalui media sosial dan platform digital lainnya. Adapun untuk pelaku UKM Malaysia diharapkan fokus terhadap pelatihan peningkatan Digital Capability melalui pelatihan pembuatan Web dan Platform digital lainnya sedangkan UKM Indonesia diharapkan lebih fokus terhadap peningkatan penguasaan Digital Marketing khususnya penggunaan social media.

Kata kunci : Digital Marketing, Daya Saing, UKM, Indonesia, Malaysia
THE ROLE OF DIGITAL MARKETING IN IMPROVING SMES’ FASHION PRODUCT COMPETITIVENESS IN THE ASEAN ECONOMIC COMMUNITY (AEC) (COMPARATIVE STUDY IN INDONESIA AND MALAYSIA)

DADANG FIRMANSYAH

Thesis
as a partial requirement to obtain the degree of
Master of Science
in
Study Program of Management Science

GRADUATE SCHOOL
BOGOR AGRICULTURAL UNIVERSITY
BOGOR
2019
External Examiner at Thesis Examination: Dr. Noor Azlin Ismail, Ph.D
Thesis Title : The Role of Digital Marketing in Improving SMEs' Fashion Product Competitiveness in The ASEAN Economic Community (AEC) (Comparative Study in Indonesia dan Malaysia)
Name : Dadang Firmansyah
Student ID : H251160211

Approved by
Supervisor Committee

Dr Ir Ma'mun Sarma, MS MEc
Head of Supervisor

Dr Ir Jono M Munandar, MSc
Supervisor

Agreed By

Head of Management Study Program
Dean of Graduate School

Dr Ir Jono M Munandar, MSc
Prof Dr Ir Anas Miftah Fauzi, MEng

Date of Examination : January 16th, 2019       Date of Graduation : 31 JAN 2019
ACKNOWLEDGMENTS

All gratitude belongs only to Allah subhanahu wa ta'ala for His blessing in accomplished of this thesis entitled “The Role of Digital Marketing in Improving SMEs’ Product Competitiveness in The ASEAN Economic Community (AEC) (Comparative Study in Indonesia dan Malaysia)”.

The author would like to express gratitude to Dr. Ir. Ma’mun Sarma, MS. M.Ec as main supervisor committee, Dr. Ir. Jono M Munandar, M.Sc as supervisor’s committee and Dr. Noor Azlin Ismail, Ph.D. as supervisor’s committee from University of Putra Malaya (UPM) for their support, advice, suggestion for the theory and time, and patiently guide the author to achieve better writing during the preparation of this study. The author would like to express sincere appreciation to the parents for their prayers and support in completing the study and gratitude to all IPB academics and Master student of 2016 Management Science. Author also thanks to Lembaga Pengelola Dana Pendidikan (LPDP) and the Ministry of Finance of the Republic of Indonesia which have provided research and education funds during at Bogor Agricultural University.

The author hopes that the results of this study give the information to other researchers and useful for many parties.

Bogor, January 2019

Dadang Firmansyah
NIM H251160211
# LIST OF CONTENT

<table>
<thead>
<tr>
<th>LIST OF TABLES</th>
<th>iii</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF FIGURES</td>
<td>iii</td>
</tr>
<tr>
<td>LIST OF APPENDICES</td>
<td>iv</td>
</tr>
</tbody>
</table>

## 1 INTRODUCTION
- Background 1
- The Formulation of Problem 3
- Research Objectives 4
- Benefit of Research 5
- The Scope of Research 5

## 2 LITERATURE REVIEW
- Small and Medium Enterprises (SME’s) 5
- ASEAN Economic Community (AEC) 7
- Distribution 8
- Marketing Definition 9
- Marketing Service 10
- Digital Marketing 12
- Internet Marketing Concepts 15
- Competitiveness 17
- Porter Five Forces Model 20
- Previous Research 20

## 3. RESEARCH METHODS
- Research Framework 24
- Operational Framework 26
- Research Hypothesis 27
- Location and Time of Research 28
- Types and Data Sources 28
- Sampling Method 28
- Method of Collecting Data 28
- Operational Definition of Variables 33

## 4. RESULTS AND DISCUSSION
- Characteristics of Respondents 37
- Relationship Role of Digital Marketing on SME Competitiveness 39
- The First Model Evaluation Results 40
- The Inner Model Evaluation Results 41
- Factors - Effectiveness of Digital Marketing on SMEs 46
- Digital Culture vs Digital Marketing 46
- Digital Attitude vs Digital Leadership Capability 48
- Ladership Skill vs Digital Leadership Capability 49
LIST OF TABLES

1 Contributions of SMEs in ASEAN Countries in 2013 - 2014 1
2 Digital Landscape in Indonesia & ASEAN in 2018 2
3 SME’s Criteria in Indonesia, Malaysia and World Bank 6
4 Summary of Previous Research 21
5 Source Reference of Variable 27
6 The Definition of Operational Variable 33
7 Results of Model Suitability Criteria 39
8 Results of the inner model criteria (Indonesia & Malaysia) 44
9 Hypothesis Test (Indonesia) 44
10 Hypothesis Test (Malaysia) 45

LIST OF FIGURES

1 The Services Marketing Triangle 11
2 Digital Mastery Model 13
3 Three Digital Paradoxes 14
4 Diamond Model Porter 17
5 Porter Five Forces Model 20
6 Digital Mastery Levers 25
7 Operational Framework 27
8 PLS SEM Research Model 32
9 Characteristics of Gender Respondents 36
10 Characteristics of Age Respondents 37
11 Characteristics of Educational Respondents 37
12 Characteristics of Duration of Respondents Efforts 38
13 Characteristics of Respondents Total of Workers 38
14 Path Diagram with initial loading factors (Indonesia) 40
15 Path Diagram with initial loading factors (Malaysia) 41
16 Path Diagram of Respecification Final Model (Indonesia) 42
17 Path Diagram of Respecification Final Model (Malaysia) 43

LIST OF APPENDICES

1 Validity and Reliability (Indonesia) 60
2 Validity and Reliability (Malaysia) 62
1 INTRODUCTION

Background

SMEs’ plays a significant contribution for economic growth in ASEAN. About 96% of enterprises in ASEAN is Small Business Enterprises (SMEs) contributing about 33.1% - 57.6% in national income and hiring 46.8% - 96.9% employee. In this case, SME’s is the most important element in increasing job opportunity and economic growth including national and regional scope (Ashardi, 2016). The following data is the SME’s contribution in 2013 - 2014 in ASEAN countries economy that presented in Table 1.

Table 1 Contributions of SMEs in ASEAN Countries in 2013 – 2014

<table>
<thead>
<tr>
<th>Negara</th>
<th>Business Unit (%)</th>
<th>Employment (%)</th>
<th>Contribution of GDP (%)</th>
<th>Eksport (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share</td>
<td>Years</td>
<td>Share</td>
<td>Years</td>
</tr>
<tr>
<td>Brunei Darussalam</td>
<td>98.2</td>
<td>2010</td>
<td>59</td>
<td>2010</td>
</tr>
<tr>
<td>Indonesia</td>
<td>99.9</td>
<td>2013</td>
<td>96.9</td>
<td>2013</td>
</tr>
<tr>
<td>Laos</td>
<td>99.8</td>
<td>2013</td>
<td>82.9</td>
<td>2013</td>
</tr>
<tr>
<td>Malaysia</td>
<td>97.3</td>
<td>2011</td>
<td>57.5</td>
<td>2013</td>
</tr>
<tr>
<td>Myanmar</td>
<td>87.4</td>
<td>2014</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Filipina</td>
<td>99.6</td>
<td>2012</td>
<td>64.9</td>
<td>2012</td>
</tr>
<tr>
<td>Singapura</td>
<td>99.4</td>
<td>2012</td>
<td>68</td>
<td>2012</td>
</tr>
<tr>
<td>Thailand</td>
<td>97.2</td>
<td>2013</td>
<td>81</td>
<td>2013</td>
</tr>
<tr>
<td>Vietnam</td>
<td>97.7</td>
<td>2012</td>
<td>46.8</td>
<td>2012</td>
</tr>
</tbody>
</table>

Source : Bank Indonesia, Department of SME Development (2016)

In Indonesia, SMEs contribute approximately 99.99% of business units. They contribute for 57.6% to Gross Domestic Product, hire 96.9% of domestic labor, and 15.7% of exports (Ministry of PPN / Bappenas, 2015). In Malaysia, SMEs contribute for 97.3% of business units, 33.1% of Gross Domestic Product, hire 57.5% of domestic labor and 19% of exports. In this case SMEs are very important as the employment and economic growth, both in national and regional scope. According to 2017 Malaysia Productivity Corporation report about ASEAN Competitiveness index in 2016 – 2017, Malaysia is in second place while Indonesia is in fourth place.

Based on economoci modelling from Deloitte Research in 2015 stated that upgrading broadband penetration and increasing SME’s involvement can increase economig growth about 2%. This additional growth is necessary to achieve target 7% in economic growth 7% to become middle-income country in 2025. The stabilization of the digital economy sector will play an important role for Indonesia to reach all potential. Many SMEs that engage in the digital economy through broadband, e-commerce, social media, cloud technology and mobile platforms can drive SMEs growth more quickly in income and job opportunity
aspect that is more creative and competitive than before in facing ASEAN Economy Community (AEC) challenge. (Deloitte Access Economics, 2015).

Technology and internet show a significant impact in economic growth in the world especially ASEAN. Technology has changed in business activities from direct interaction between buyer and customer before to indirect interaction by using internet media. According to Candra (2001), internet brings a transformational impact to create a new paradigm called Digital Marketing in business. Different with traditional method, digital business can reduce in face to face activities because the business revolution has improved into modern interaction using electronic or e-commerce and the end results the digital revolution. ASEAN has shown in digital trend, as shown in ASEAN digital landscape data presented in Table 2.

Table 2 Digital Landscape di Indonesia and ASEAN January 2018

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Population / Urbanisation</th>
<th>Internet User / Penetration</th>
<th>Active Social Media Users / Penetration</th>
<th>Mobile Subscription / Penetration</th>
<th>Active Mobile Social Users / Penetration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>262.0 Million / 55%</td>
<td>132.7 Million / 51%</td>
<td>106.0 Million / 40%</td>
<td>371.4 Million / 142%</td>
<td>92.0 Million / 35%</td>
</tr>
<tr>
<td>Brunei</td>
<td>431.7 Thousand / 76%</td>
<td>370.0 Thousand / 86%</td>
<td>370.0 Thousand / 86%</td>
<td>515.8 Thousand / 179%</td>
<td>330.0 Thousand / 76%</td>
</tr>
<tr>
<td>Darussalam</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cambodia</td>
<td>15.95 Million / 21%</td>
<td>7.16 Million / 45%</td>
<td>4.90 Million / 31%</td>
<td>27.60 Million / 173%</td>
<td>4.40 Million / 28%</td>
</tr>
<tr>
<td>Laos</td>
<td>6.98 Million / 34%</td>
<td>1.80 Million / 26%</td>
<td>1.80 Million / 26%</td>
<td>5.95 Million / 85%</td>
<td>1.50 Million / 21%</td>
</tr>
<tr>
<td>Malaysia</td>
<td>30.96 Million / 76%</td>
<td>22.00 Million / 71%</td>
<td>22.00 Million / 71%</td>
<td>42.93 Million / 139%</td>
<td>20.00 Million / 65%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>54.60 Million / 35%</td>
<td>14.00 Million / 26%</td>
<td>14.00 Million / 26%</td>
<td>50.56 Million / 93%</td>
<td>13.00 Million / 24%</td>
</tr>
<tr>
<td>Philippine</td>
<td>103.0 Million / 44%</td>
<td>60.0 Million / 26%</td>
<td>60.0 Million / 26%</td>
<td>129.4 Million / 93%</td>
<td>54.0 Million / 24%</td>
</tr>
<tr>
<td>Singapore</td>
<td>5.74 Million / 100%</td>
<td>4.71 Million / 82%</td>
<td>4.40 Million / 77%</td>
<td>8.44 Million / 126%</td>
<td>4.00 Million / 52%</td>
</tr>
<tr>
<td>Thailand</td>
<td>68.22 Million / 52%</td>
<td>46.00 Million / 67%</td>
<td>46.00 Million / 67%</td>
<td>90.94 Million / 133%</td>
<td>42.00 Million / 62%</td>
</tr>
<tr>
<td>Timor Leste</td>
<td>1.22 Million / 34%</td>
<td>0.40 Million / 33%</td>
<td>0.40 Million / 33%</td>
<td>1.56 Million / 128%</td>
<td>0.38 Million / 31%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>94.93 Million / 31%</td>
<td>50.05 Million / 53%</td>
<td>46.00 Million / 48%</td>
<td>124.7 Million / 131%</td>
<td>41.00 Million / 43%</td>
</tr>
</tbody>
</table>

Source: Digital in Indonesia, wearesocial (2018)

As presented above, not only Indonesia but also Malaysia are still in digital trend. Indonesia, Malaysia, and Thailand are ASEAN countries that present e-commerce growth about 10-15%. The condition has an effect on business activities that were initially carried out by direct interaction between sellers and buyers, now switch to using internet media and cut off boundaries each countries. Although many benefits are offered when conduct marketing activities through internet but there are some difficulties that must be faced, especially the changes in information environment and consumer behavior that are more modern. In now, there are many SME players in Indonesia and Malaysia who conduct online-based sales and there are several government programs that support online sales.
Little Bandung is an incubator area for SME that has conducted marketing online. Little Bandung is one of program supported by Bandung city government to strengthen the competitiveness of Bandung’s products. The program also purpose to encourage their participation in the global value chain so that they can be more active in international business and contribute to the country's economy. This program becomes a method to promote Bandung product to domestic and international markets. This program is responses from Indonesia in the existence of the ASEAN Economic Community (MEA) and achieves the vision of Bandung city to Bandung Champion. Therefore Little Bandung try to run “goes online” program and collaborate with Facebook in partnership development program for online-based SME (littlebandung.co.id, 2015).

Bandar Baru Bangi Selangor, Malaysia is a SME’s area that mostly produces Muslim fashion. Based on Malaysia Department Statistics (2010), Selangor is the region that has the biggest SMEs in Malaysia about 125,904 units or 19.5%. SMEs in Bandar Baru Bangi have used marketing online and cooperate with the marketplace. This was supported by the government which has established a collaboration program between the Ministry of SMEs and the marketplace.

SMEs in Indonesian and Malaysia require a paradigm that focuses on increasing knowledge and skills in utilizing technology and innovation to survive in competition digital era. In addition, the right business strategy is required, namely a competitive business pattern and connected to target market. There need strategic and relevant policies in periodically to understand that SMEs are quite diverse and have complex problem and challenge.

Based on data and problems that have been described previously, this research to study SMEs in Indonesia and Malaysia. Currently many SMEs in Indonesia and Malaysia have already implemented online sales and there are several government programs that support online sales activities for SMEs. This study selected in Indonesia are SMEs joined in Little Bandung while in Malaysia SMEs in Bandar Baru Bangi Area. Therefore, it is necessary to conduct research about analysis the impact of digital marketing to find effective digital promotion in increasing the SME’s product competitiveness. Based on this reason, the authors interest in conducting research with the title "The Effect of Digital Marketing on Increasing SME’s fashion product Competitiveness in the ASEAN Economic Community (AEC)" and this study will be conducted in Bandung, Indonesia and Selangor Malaysia.

The Formulation of Problems

Technological developments, especially in the field of digital marketing, have an influence in the world of business. With more affordability of digital technology, such as smartphones and broadband, causing a significant increase in the number of consumers and business people who move digitally. The digital economy is not just about making businesses more advanced. The digital economy is also the main raw material for new and innovative business models, which are important components in the development of a wider range of long-term economic and digital ecosystems. So that digital disruption arises, while
what is meant by disruption is innovation that causes prices to fall, marketing strategies and corporate strategies change, people share information and then new alternatives arises. This all has the potential to make everything old become absolute and we need a strategy that is truly different from what we usually know (Kasali, 2017).

The ASEAN free market that has been effectively put into effect in 2015 is a critical point of SME struggle. Various ease of trade between countries such as the exemption of import duties and ease of bureaucracy will encourage increased commodity imports to ASEAN countries. Therefore an appropriate strategy is needed to improve competitiveness and human resources, especially to face the Asean Economic Community (MEA). In using digital technology, more than a third of SMEs in Indonesia (36%) are still offline, another third (37%) only have basic skills, 18% have intermediate online capabilities, and 9% are advanced online businesses. In 2011, Deloitte Access Economics estimated the value of the internet to the Indonesian economy to reach IDR 115 trillion or around 1.6% of Indonesia's GDP (Deloitte Access Economics, 2011).

Digital technology helps SMEs in Indonesia grow faster and become more competitive nationally, regionally and internationally. In particular, Deloitte's research with econometric modeling shows that there is a link between better levels of use of digital technology with higher income increases, increased employment, innovation and exports. Not every SME’s realize the importance of the role of digital marketing in running their businesses so there are still SMEs that have not managed these opportunities to the full. This research will focus on how the role of digital marketing in improving the competitiveness of SMEs fashion products by analyzing digital marketing promotion strategies in the business implementation of SMEs joined in Little Bandung Indonesia and SMEs in Malaysia. Based on the statement, the researchers have been formulated research problems:

1. What are the characteristics of SMEs’ fashion product in Bandung, Indonesia and Selangor, Malaysia?
2. How does digital marketing affect the competitiveness of Bandung, Indonesian and Selangor, Malaysian SMEs’ fashion product?
3. What factors are effective in running digital marketing in Bandung, Indonesian and Selangor, Malaysian SMEs’ fashion product?

**Research Objectives**

The objectives of this study include:

1. To identify the different characteristics SME’s producing fashion product in of Bandung Indonesian and Selangor Malaysian.
2. To analyze the relationship of the influence of digital marketing on the competitiveness of Bandung, Indonesian and Selangor, Malaysian SME’s fashion product?
3. To analyze factors influence the effectiveness of digital marketing in Bandung Indonesian and Selangor Malaysian SMEs’ fashion product?
Benefits of Research:

The results of this study are expected to provide benefits for:
1. As a reference for SMEs in promoting aspect especially in using digital marketing.
2. As a matter of consideration for the government, Observers, Practitioners, and various stakeholders concerned with SMEs.
3. As a basis to learn more and develop science in management study.

The scope of research

This research includes the analyzing of the use of digital marketing by SMEs to see the factors that involve the use of digital marketing variables that usage is limited to digital culture, digital attitude, digital capability and external drive. The performance that will measure in this research concern to the perception of SME owners including the dimensions of digital marketing and competitiveness. The definition of SMEs in this research refers to the definition from Ministry of Cooperatives and Small and Medium Enterprises according to Law Number 20 Year 2008 Indonesia and Micro, Small and Medium Enterprises Act. The identification of alternative strategies that has selected will take into consideration and pay attention to the overall capacity of SMEs and environmental conditions in Indonesia, Malaysia and the ASEAN Economic Community (AEC).

2 LITERATURE REVIEW

Small and Medium Enterprises (SME’s)

Small and Medium Enterprises (SMEs) is a business activity that is able to expand the work space and contribute widely to the community, and can assist in the process of equity and increase the population, encourage economic growth, and take in realizing national stability. In addition, Micro, Small and Medium Enterprises are one of the main pillars of the national economy that are the main objectives, sources, and frequency of development - the extent of being a decisive partisanship for a group of people's economic enterprises, without heads and entities of Small Enterprises and State-Owned Enterprises (Explanation of RI Law No. 20 Year 2008 About Micro, Small and Medium Enterprises). Understanding Micro, Small and Medium Enterprises Period Chapter 1, Article 1, Paragraphs 1, 2, and 3, Law RI No. 20 Year 2008 About Micro and SMEs is as follows:
1. Micro Business shall mean an enterprise that produces individuals and / or individual business entities and / or business entities that meet the requirements of Micro Enterprises included in this law.
2. Small-scale business shall be a self-made economic enterprise, carried out by an individual or business entity which is not a subsidiary or non-branch which is controlled, controlled, or becomes a body either directly or
indirectly from a Medium Business or a Large Business that meets the Business criteria Small in this account.

3. Medium-sized Enterprises shall be self-directed economic enterprises, carried out by individuals or business entities that are not subsidiaries or branches owned, controlled, or become part directly or indirectly with Small and Large Businessess with total net worth or Annual sales results are included in this law.

In developing countries like Asia, Africa and America Latin, SMEs are very profitable, especially from a work perspective and income sources for the poor, income distribution, poverty reduction and rural economic development. But the difference of SMEs in developed and developing countries is seen from the contribution to GDP formation and non-oil exports, especially manufacturing and innovation products and technology development (Tambunan, 2009).

On the one hand SMEs had an important role in the Indonesian economy, but on the other hand SMEs have a variety of problems that can be an obstacle to the development of SMEs. Obstacles and constraints of Indonesian SMEs are internal and external in terms of production and processing, marketing, human resources, design and technology, capital and business climate (Elucidation of Law No. 20 Year 2008). The same understanding was given by Tambunan (2009) that the main problem of Indonesian SMEs is limited capital and marketing. Limited capital is related to difficulty obtaining credit from Bank or other financial institution. While marketing is related to not having the resources to seek, develop or expand the market of the SMEs.

SMEs according to the Law RI No. 20 Year 2008 About Micro and SME, Ministry of SMEs Malaysia and also World Bank, SME’s criteria presented in Table 3.

Table 3 SMEs Criteria in Indonesia, Malaysia and World Bank

<table>
<thead>
<tr>
<th>Category</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>Maximum Assets 50 million,</td>
<td>Assets of more than 50 - 500 million,</td>
<td>Assets of more than 500 million - 10 billion,</td>
</tr>
<tr>
<td></td>
<td>Maximum turnover of 300 million,</td>
<td>Turnover of more than 300 million - 2.5</td>
<td>Turnover of more than 2.5 billion - 50 billion,</td>
</tr>
<tr>
<td></td>
<td>1 - 4 full time worker</td>
<td>billion, 5 - 19 full time workers</td>
<td>20-29 full time workers</td>
</tr>
<tr>
<td>Malaysia</td>
<td>Sales is not exceeding 300,000</td>
<td>Sales is ranging from 300,000 - 15 million</td>
<td>Sales is more than 15 million until 50 million</td>
</tr>
<tr>
<td></td>
<td>RM or maximum 5 full time workers</td>
<td>RM or 5-75 full time workers (Manufacture)</td>
<td>RM or 75-200 full time workers (Manufacture)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Sales starts from 300,000 to 3 million</td>
<td>Sales starts from 3 million to 20 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>RM or 5-30 full time workers (Service and others)</td>
<td>RM or 30-75 full time workers (Service and others)</td>
</tr>
</tbody>
</table>
Table 3 SMEs Criteria in Indonesia, Malaysia and World Bank (Continue)

<table>
<thead>
<tr>
<th>Category</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Bank</td>
<td>Employees number criteria of less than 10 people, the income of a year does not exceed $100 thousand, the amount of assets does not exceed $100 thousand.</td>
<td>Employee number criteria of less than 30 people, income per year does not exceed $3 million, the amount of assets does not exceed $3 million.</td>
<td>Employee number criteria maximum 300 people, annual income up to $15 million, total assets up to $15 million.</td>
</tr>
</tbody>
</table>

Source: UU RI No 20 2008, Ministry of SMEs in Malaysia (2014)

**ASEAN Economic Community (AEC)**

The establishment of the ASEAN Economic Community (AEC) in 2015 is a major milestone in the regional economic integration agenda in ASEAN, offering opportunities in the form of a huge market of US$2.6 trillion and over 622 million people. In 2014, AEC was collectively the third largest economy in Asia and the seventh largest in the world. The AEC Blueprint 2025 is aimed towards achieving the vision of having an AEC by 2025 that is highly integrated and cohesive; competitive, innovative and dynamic; with enhanced connectivity and sectoral cooperation; and a more resilient, inclusive, and people-oriented, people-centred community, integrated with the global economy.

The AEC Blueprint 2025 consists of five interrelated and mutually reinforcing characteristics, namely: (i) A Highly Integrated and Cohesive Economy; (ii) A Competitive, Innovative, and Dynamic ASEAN; (iii) Enhanced Connectivity and Sectoral Cooperation; (iv) A Resilient, Inclusive, People-Oriented, and People-Centred ASEAN; and (v) A Global ASEAN. These characteristics support the vision for the AEC as envisaged in the ASEAN Community Vision 2025.

The AEC Blueprint 2025 sets out the strategic measures under each of the five characteristics of AEC 2025. To operationalised the Blueprint’s implementation, these strategic measures will be further elaborated in and implemented through the work plans of various sectoral bodies in ASEAN. The sectoral work plans will be reviewed and updated periodically to ensure their relevance and effectiveness. Partnership arrangements with the private sector, industry associations and the wider community at the regional and national levels will also be actively sought and fostered to ensure an inclusive and participatory approach to the integration process. Institutions will be strengthened and enhanced approaches to monitoring and public outreach will likewise be developed to support the effective implementation of the Blueprint.

The AEC 2025 Consolidated Strategic Action Plan (CSAP) comprises of key action lines that will operationalise the strategic measures in the AEC Blueprint 2025. It takes into account the relevant sectoral workplans, and will be reviewed periodically to account for developments in each sector. The inaugural issue of the ASEAN Economic Integration Brief (AEIB) was released on 30 June 2017. The AEIB provides regular updates on ASEAN economic integration
progress and outcomes, and is a demonstration of ASEAN’s commitment to strengthen communication and outreach to raise stakeholder awareness of the AEC.

The AEC Blueprint 2025 will lead towards an ASEAN that is more proactive, having had in place the structure and frameworks to operate as an economic community, cultivating its collective identity and strength to engage with the world, responding to new developments, and seizing new opportunities. The new Blueprint will not only ensure that the 10 ASEAN Member States are economically integrated, but are also sustainably and gainfully integrated in the global economy, thus contributing to the goal of shared prosperity (asean.org 2018).

Distribution

Definition of Distribution Channels

According to Nitisemito (1993, p. 102), Distribution Channels is distributor institutions or channeling institutions that have activities to channel or deliver goods or services from producers to consumers. According to Werren J. (2003) Distribution Channels are the channels that used by producers to distribute goods from producers to consumers or industrial users. According to Assauri (1990: 3) Distribution channels are institutions that selling products, in the form of goods or services from producers to consumers. According to Kotler (1991: 279) Distribution channels are groups of companies or individuals who have ownership rights to products or help move ownership rights to products or services when they are transferred from producers to consumers.

The factors that drive a company to use a distributor are:
1. Small producers or companies with limited financial resources are not able to develop direct sales organizations.
2. Distributors seem to be more effective in selling large parties because of the scale of their operations with retailers and special expertise.
3. Manufacturers who have enough models prefer to use their funds for expansion rather than for promotional activities.
4. Retailers who sell a lot often prefer to buy items from a wholesaler instead of buying directly from each of their factories.

Function of Distribution Channels

The main function of the distribution channel is to distribute goods from producers to consumers, the company in implementing and determining the distribution channel must take good consideration.

The distribution channel functions according to Kotler (1997: 531-532) are:
1. Information, which is collecting important information about consumers and competitors to plan and help exchange.
2. Promotion, namely the development and dissemination of persuasive communication about the products offered.
3. Negotiation, which is trying to agree on prices and other conditions, thereby allowing the transfer of ownership rights.
4. Ordering, i.e. the distributor orders goods to the company.
5. Payment, ie the buyer pays the bill to the seller through a bank or other financial institution.
6. Title, which is the transfer of ownership of goods from an organization or person to another organization / person.
7. Physical Possesses, namely transporting and storing goods from raw materials to finished goods and finally to the final consumer.
8. Financing, namely requesting and utilizing funds for costs in the distribution channel work.
9. Risk Taking, which is to bear the risk associated with the implementation of the distribution channel work.

**Kinds of Distribution Channels**

There are various kinds of consumer goods distribution channels, consist of:

1. **Manufacturers - Consumers**
   - This form of distribution channel is the shortest and simplest because without using intermediaries. Producers can sell goods produced by mail or go directly to consumer homes (from house to house). Therefore this channel is called the direct distribution channel.

2. **Manufacturers - Retailers - Consumers**
   - Manufacturers only serve large amounts of sales to large traders only, not selling to retailers. Purchases by retailers are served by wholesalers, and purchases by consumers are served by retailers only.

3. **Manufacturers - Wholesalers - Retailers - Consumers**
   - These distribution channels are widely used by producers, and are called traditional distribution channels. Here, producers only serve large amounts of sales to large traders only, not selling to retailers. Purchases by retailers are served by wholesalers, and purchases by consumers are served by retailers only.

4. **Manufacturers - Agents - Retailers - Consumers**
   - Here, producers choose agents as suppliers. He runs large trading activities in existing distribution channels. The sales target is primarily aimed at large retailers.

5. **Manufacturers - Agents - Wholesalers - Retailers - Consumers**
   - In distribution channels, producers often use agents as intermediaries to distribute goods to large traders who then sell them to small shops. Agents seen in this distribution channel are mainly sales agents. (Swastha and Irawan, 1997, p.295-297).

**Marketing Definition**

Kotler and Keller (2010) Marketing is defined as an activity that aims to identify a need and meet those needs. Kotler classifies the core of marketing concepts including the concept of needs, wants and demands, the concept of segmentation, positioning and target market, the concept of supply and brand, the concept of value and satisfaction, the concept of marketing channels and supply chain, and understanding of the concept of competition.

Differentiation strategies are activities undertaken to differentiate products marketed with competitors' products. Common dimensions used in differentiation are product form and specification, other dimensions include quality differences,
marketing channels and imagery. Positioning strategy is an attempt to put marketers' offerings in a certain position in the minds of consumers to give positive benefits to marketers. The result of a good positioning is the formation of a perception that focuses on the value of the product being offered, which is the basis of the reason of the consumer giving the product.

Kotler and Keller (2010) Several things to consider in determining positioning include:

- Determine the reference categories of products offered to consumers, targeted markets and competitors in the category.
- Define point of difference attributes (POD), a set of attributes that explain the difference between a product offered and a competitor's product category. A good POD should be able to describe relevant, clear and reliable differences.
- Determine the attribute of points of parity (POP), is a set of attributes that have similarities with other competing products.
- Define Positioning statement based on references and attributes mentioned above.

Marketing Services

According to Kotler and Keller (2009) Services or Services are all actions or performance that can be offered by one party to another that is principally intangible and does not generate any ownership. Its production may be related and may not be related to physical products. However, more and more producers, distributors and retailers are providing value-added services or excellent customer service to differentiate themselves.

Service mix category, Service component can be small or big part of our total offerings are divided into five categories of offerings are:

1. Pure tangible goods the offer consists mainly of tangible goods such as soap, toothpaste, or toothbrush. No services accompanying the product.
2. Tangible goods with accompanying services the offer consists of tangible goods accompanied by one or more services. Generally the more sophisticated a product, the greater the need for a wider range of high-quality support services. Services are often an important element in the car industry, computers, and mobile phones.
3. Hybrids (Hybrids) Offer consists of parts of goods and services of the same proportion. For example, people often visit restaurants both for food and presentation.
4. Major service accompanied by small goods and services The offer consists of the main services and the addition of services or supporting goods. For example, although the journey includes some tangible goods such as snacks and drinks, which passengers are buying passengers is transfortasi. This service requires large capital goods: Aircraft to materialize, but the main item is services.
5. Pure Service Pure offer consists of services. Examples include baby sitter, psychotherapy and massage.

Three Types of Marketing Services, that is:

External Marketing
1. This external marketing strategy is known as 7 P (product, price, place, promotion, process, personnel, and physical facility).
2. Internal Marketing
3. For service marketing is not enough only with external marketing (7P) but must also be followed by improving the quality or skill of the personnel in the company. In addition, there must also be compactness or a strong team of personnel in the company, especially in the face of the customers so as to bring a distinctive impression that convinces the customer.
4. Interactive Marketing (Interactive Marketing)

Customer satisfaction not only in the quality of services, for example, its magnificent restaurant and its nutritious food. But it must also be integrated by doing service quality improvement so that service improvement is really convincing. Interactive marketing describes employee skills in serving clients. Clients value services not only based on their technical quality, but also on the quality of their functionality. Teamwork and delegating authority are the key to frontline employees can provide greater flexibility and adaptability in delivering services through better completion, closer employee collaboration, and more efficient transfer of knowledge. Three types of Communications and the Services Marketing Triangel are presented in Figure 1.
Digital Marketing

According to Chaffey and Chadwick (2016) Digital marketing was called Internet marketing, e-marketing and web marketing. Digital marketing can be defined simply as the achievement of marketing objectives through the application of technology and digital media. This concise definition helps remind us that this is the result delivered by the technology that must determine the investment in internet marketing, not the application of the technology.

This digital technology includes desktop, mobile, tablet and other digital platinum. In practice, digital marketing involves managing the various forms of online company presence, such as corporate websites and social media together with online communication techniques, including search engine marketing, social media marketing, online advertising, email marketing and partnership arrangements with other websites. This technique is used to support the goal of acquiring new customers and providing services to old customers that help develop customer relationships through E-CRM. However, in order for digital marketing to succeed, there is still a need to integrate this technique with traditional media such as print, TV and direct mail as part of multichannel marketing communications.

The role of a digital platform in support of integrated multichannel marketing is another recurrent theme in this text exploring its role in supporting customer travel through alternative communications and distribution channels. Online channels can also be managed to support the entire buying process from pre-sale sales to post-sales sales and further development of customer relationships.

Digital transformation is a thorough organizational transformation that includes changes in other crucial aspects such as strategy, HR processes and culture to leadership. Digital transformation is not just a matter of adopting machine learning, utilizing big data or creating digital applications. "That's a management and people challenge, not just a technology one". Digital technology requires companies to develop two capabilities of digital capability (capability) and leadership capability (leadership capability). The first concerns the "what" of technology, while the second concerns the "how" of leading change (Rudito and Sinaga, 2017). As Westerman puts it in his book Leading Digital (2014), using two dimensions we will get a 2 x 2 matrix reflecting four Digital Mastery Levels: Beginners, Fashionistas, Conservatives, and Digital Masters can be seen in Figure 2.

**Beginners** are companies that have digital capabilities or low leadership capabilities. Companies that enter this class is generally just starting to do digital transformation. No wonder if the transformation they run has not been able to produce adequate financial performance.

**Fashionistas** is a company with high digital capability, but its leadership capability is low. Companies of this type always follow the trend and adopt every development of existing digital technology but unable to make it happen a form of business and financial performance.
Conservatives are companies with high leadership capabilities, but their digital capabilities are inadequate. This type of company has sufficient capacity to manage digital transformation, but because of its caution its digital capability never materializes. Transformation is very slow and never work.

Digital Master is a mature company of digital capability as well as its leadership capability. They know exactly how to create value through digital transformation. No wonder the companies that fall into this category are able to bring digital initiatives that lead to the achievement of business and financial performance. Referring to these four positions, each company has four positions to escape the threat of digital disruption, which is Beginners, Fashionistas, Conservatives, or Digital Masters. The more the company road in place Beginners position, the greater the possibility terdisrupsi. The more companies are in the Digital Master position, the more likely it is to escape the danger of disruption and even create a new business model that disrupts industry.

Three Digital Paradox

Handy (1995), in the book The Age of Paradox, mentions that many events in the world, including technology development consist of paradox. Most of these predictions now prove to be true, the framers and marketers are now witnessing some changes, especially in the world of technology. In order to compete in this new era, the business world must understand and manage the three digital paradoxes as shown in Figure 3.
1. Online versus Offline

Internet technology offers convenience and high efficiency. The interaction between producers and consumers can happen everytime and everywhere. This encourages companies to change into the online world, build websites, manage online communities, and form special social media teams to build relationships with consumers. But the reality of the online world has limits. This means that the conventional offline approach can not be completely replaced. Although the use of the internet and the number of people who know the technology is increasing but most consumers have not really familiar with digital services. In order for companies to move into the digital world then there is a real need that continues to grow to more serious attention to consumer education.

2. Substance versus Style

The Internet has created new patterns of information consisting. If in the context of print media readers are conventionally familiar with more detailed writing styles and focus on story headlines and depth, online site readers are more accustomed to short, dense writing. Visual factors such as images and illustrations are often used by content providers for online content providers that make readers more attached and help improve design. Ries (2012) in his book Visual Hammer emphasizes the importance of the visual aspect as a driver of verbal placement to instill a certain perception in the minds of consumers. This trend in the digital world requires manufacturers to include "style" to the developed content.

How can a company not only rely on aspects of style (visual, audio, design, etc.), but also to provide information that is appropriate to consumers both rationally and emotionally. Manufacturers of digital content must be balanced in making the content compact and attractive but not losing its core substance. For example, an ad creator on youtube must creatively design an interesting message within the first 5 seconds so that it will not miss it. It's not about style but compelling messages will be able to effectively convey information about the advertised product, and this is called "substance".

Digitalization has enabled the interaction of technologically diverse products. The data in our devices can be transferred to other technology products in the form of instructions that produce specific actions or outputs. This was known as the Internet of Things (IOT) or machine technology to the machine (M2M). Consumer space is a significant sector in all areas of M2M that is strived to be emphasized by a range of players including mobile operators and hardware manufacturers. For example, there is now a certain focus both on wearable devices and also the potential of smart home (GSM Associations, 2015).

Technology does not make someone a machine without emotion. Instead digital technology, especially social media has turned consumers into emotionally expressive creatures. This is why human to human (H2H) touch can not be forgotten. Technology must be optimized in creating a more flexible (unlimited space and time) H2H inetration and not really creating a separate space that instead replaces the familiar conventional inetaraksi way.

Thus these three paradoxes can actually be managed simultaneously without having to cancel each other out. Companies need to be creative in building an integrated online and offline experience, developing content that has substance and style as M2M technology supports H2H touch. The company's success in managing these three paradoxes will create a competitive advantage that will win the hearts of digital consumers.

The huge impact of mobile and internet technology is not just limited to the lifestyles of its consumers. Economically, Digitalization has a significant contribution. By 2014 mobile technology and services have generated 4.7% of GDP in Asia Pacific, contributing up to more than US $ 1 trillion of economic value in different countries (GSM Associations, 2015). Naturally there is a quota correlation between digitization and economic growth. Based on the UNESCO (United Nations Educational, Scientific, and Cultural Organization) infostate index to measure the digital inequality of countries with the highest infostate (digitization rate in a country) have the highest GDP and vice versa, countries with the lowest infostates have the lowest GDP. A study by the International Telecommunication Union (2008) shows how Internet penetration is positively correlated with GDP per capita in ASEAN countries. Association of Southeast Asian Nations, 2014.

Digitalization also contributes directly to reducing poverty and unemployment in developing countries. In 2014 the mobile ecosystem provides jobs for 6.5 million people in Asia Pacific, and the number is expected to increase to 8 million by 2020. Economic activity enhanced by the ecosystem indirectly supports the availability of 6 million jobs in the wider economic scope. GSM Association, 2015.

Internet Marketing Concepts (I-Marketing)

The development of internet technology makes the world flat without limit. As Thomas L. Friedman puts it in his book The World is Flat (2006) that one of the major stylistic styles that make the world unlimited is the internet which is a sudden revolution of the inexpensive global connectivity tool, the World Wide Web overcomes the internet into cyberspace so that people can put their digital
works to anyone accessible, as well as the spread of a commercial web browser that can call documents or web pages stored on the website and display them on a computer screen in a way that is easy for anyone.

With the advent of the Internet world is causing a shift for the economic system, that is shifting the traditional economy to a new / modern economy that provides an entirely new set of capabilities to both consumers and businesses. Overall it can be said that the internet has a great ability to exchange information both internally and externally with other organizations. Internet technology provides a key infrastructure for e-commerce, e-business and the birth of a digital company (Loudon & Loudon, 2010).

The Internet provides an opportunity to sell directly to customers both consumer and business to business (B2B) markets, the direct selling of goods and services is called e-commerce (Belch & Belch, 2007). E-commerce (Electronic Commerce) is defined as the process of purchasing and selling products, services and information that is done electronically by utilizing computer networks. One of the network used is internet. Reform of the internet presence distribution channel causes a change in the value chain, where traditional intermediary positions are replaced by online services that help consumers shop cheaply and easily (Tjiptono & Diana, 2000).

Kottler (2009) reveals that online marketing is becoming so popular because it provides three main benefits for potential buyers:

a. Convenience: customers can order products 24 hours per day from wherever they are, no need to queue, look for parking space, and do not have to come to the store only to find out that the goods searched have run out.

b. Information: customers can find information about companies, products and competitors without having to leave the office or home. Search information can be focused on certain criteria such as price, quality, performance and availability.

c. Fewer hassles: with online services customers do not have to face sales people or are affected by persuasion and emotional factors. In addition, online marketing also provides several benefits for marketers.

d. Quick adjustment to market conditions: the company can quickly add products in its offer and change prices and product descriptions.

e. Lower costs: online marketers can avoid store maintenance costs, rental of premises and insurance. Marketers can also make digital catalogs that are much cheaper than printing and printing printed catalogs.

f. Relationship Building: online marketers can communicate with consumers and learn a lot from it. Marketers can easily upload information and demo free software to then be downloaded by consumers.

g. Audience sizing: marketers can find out how many visitors come and how many websites stop at a certain place on the website. This information can help marketers to improve their offerings and ads.
Competitiveness

According to Suendro (2010), a company that competes in an industry has an explicit or implicit competitive strategy. This strategy may be explicitly developed through the planning process or may have evolved implicitly through the activities of the various functional departments in the company. But these combined departments are rarely the best strategies.

Basically the development of competitive strategy is to develop a general formula how businesses and compete, what is exactly the goal and policies that will be needed to achieve the goals. Competitive strategy is a combination of the ultimate goal in the struggle company with tools (policy) where the company will try to get there (Bagas, 2005).

Through his book entitled "The Competitive Advantage of Nations" by Porter (1990), Porter conducted an in-depth study related to the conception of the nation's competitiveness. He translated the conception of nation's competitiveness as the ability to maximize the empowerment of his potential (human, financial, natural, etc.) in order to achieve the highest level of productivity. According to him the level of productivity will play an important role in improving people's living standards.

According to Porter (1990) a country will obtain a competitive advantage (CA) if the company (which exists in that country) is competitive. The competitiveness of a country is determined by the industry's ability to innovate and improve its capabilities. The companis obtains CA because of the pressures and challenges. The company benefits from competition in the domestic market, aggressive domestic suppliers, and high demand local markets. Differences in national values, culture, economic structure, institutions, and history all contribute to the success of competition. Companies become competitive through innovation that can include technical improvements to the production process or product quality. Porter proposed “Diamond Model” (DM) consisting of four determinants of the National Competitive Advantage (NCA). These four attributes are factor conditions, demand conditions, related and support industries, and firm strategy, structure, and rivalry presented in Figure 4.

![Figure 4 Diamond Model Porter (Porter, 1990)](image)

**Factor conditions** refer to inputs used as factors of production, such as labor, natural resources, capital and infrastructure. The Poter argument, the key
factor of production is "created" rather than derived from inheritance. Furthermore, resource disadvantage often helps the country become competitive. Too many (resources) have the possibility of being wasted, when rare can drive innovation.

**Demand conditions**, referring to the availability of a domestic market that is ready to play an important element in generating competitiveness. Markets like this are characterized by the ability to sell superior products, this is driven by the demand for quality goods and services and the closeness of the relationship between the company and the customer.

**Related and Supporting Industries**, referring to the availability of a series and strong linkages between supporting and corporate industries, these relationships and support are positive which leads to increased competitiveness. Porter developed a model of such a condition factor with industrial clusters or agglomeration, which benefits from potential technology knowledge spillover, proximity to the consumer, thus increasing market power.

**Firm strategy, Structure and Rivalry**, refers to the strategies and structures that exist in most companies and the intensity of competition in certain industries. Strategy Factors can consist of at least two aspects: capital markets and individual career choices. Domestic capital markets affect corporate strategy, while individuals often make career decisions based on pricing and prestige. A country will have competitiveness in an industry where its key personnel are considered prestigious. Structure follows strategy. Structures are built to implement the strategy. The high intensity of competition (rivalry) encourages innovation.

Porter also added other factors namely the Role of Government and Chance, which is said to have an important role in creating the NCA. Such role, not as a player in the industry, but through the authority that it has to provide facilitation, catalyst, and tantanan for the industry. The Government advocates and encourages industry to achieve a certain level of competitiveness. These can be done through incentive policies such as subsidies, taxation, education, focus on creating and strengthening factor conditions, and enforcing industry standards.

The main point of DM Porter proposes a self-reinforcing competitiveness creation model, where domestic competition stimulates industry growth and simultaneously forms sophisticated consumers who always want improvement and innovation. Furthermore DM also promotes industrial clusters. Porter's contribution explains the relationship between the country's firm firm, according to Porter, if the company wants to improve its business in tight competition, the company must have a business principle, a high price, a low cost product, and not both. Based on the principle, Porter states there are three generic strategies namely Differentiation, Overall Cost Leadership and Focus. According to Porter, the company's strategy to compete in an industry can vary and in different dimensions, Porter presents thirteen dimensions commonly used by companies in competing, that is Specialization, Brand Identification, Impetus Versus Pull, Channel Selection, Product Quality, Technological Leadership, Vertical Integration, Cost Position, Service, Price Policy, Leverage, Relationship with Holding Company, Relationship with Government. And how this relationship can support the state and vice versa.
Building Competitiveness by Porter

Elements of competitiveness developers need to be well understood, so as to define the direction of the economic development process that can stimulate innovation, efficiency and prosperity based on a comprehensive understanding of competitiveness. Building competitiveness is built on three levels. At the basic level, the development of the nation's competitiveness must be based on the inherent factors that are the strengths and distinctive characteristics of a site, the potential of natural resources, geographical location, population size, cultural conditions, and others are the initial inherent heritage that needs to be empowered. Nevertheless, it should be understood that the true well-being of a nation can not only depend on the inherent inherent inherent in the country, true well-being is dependent on the productivity of a nation in maximizing its potential.

The second level of competitiveness is built by elements of macroeconomic competitiveness. The development of human resources and the institutional framework of politics and governance is the first pillar that underpins macroeconomic competitiveness. This pillar of human resource development consists of three elements: (1) elements of human development (basic education, health, equality of opportunity, etc.), (2) elements of legal certainty (copyright protection law, human rights and equality before the law, etc.), and (3) elements of political institutions (political stability, public policy transparency, etc.). The second pillar of macroeconomic competitiveness is underpinned by the solidity of fiscal and monetary policies. This pillar covers the elements of fiscal policy that contribute to the effectiveness of the alignment of revenues and expenditures of the state, and the good monetary policy characterized by low levels of inflation, and the level of economic stability.

Microeconomic competitiveness placed Porter on as the roof (occupying the top level) of the nation's overall competitiveness building. This microeconomic competitiveness is sustained by three important pillars: (1) the pillars of the quality of the business environment (2) the pillars of the economic (industrial) building conditions, and (3) the pillars of the complexity level of operation and strategy of the business units participating in the business ecosystem country. The pillar of the quality of the business environment is determined by the atmosphere of productivity, innovation, and growth of business units. The strong pillar of the economic condition of the economic area is determined by the quality of the interaction between the components that form the business environment (see Diamond Model in Figure 4).

The existence of an economic region that concentrates a diverse range of business units with a corresponding industry direction is crucial to the process of stimulating business transformation and increasing the region's productivity. In the last pillar, the ability of business units in terms of expertise, production capacity, and good management, becomes a fundamental capital for the formation of micro-economic competitiveness as a whole. Unsupported by the presence of competitive business units and high complexity of operations and strategies, the possibility of developing a strong level of microeconomic competitiveness at both the business unit level and the aggregate level will be small.
Porter Five Forces Model

In competition theory we know there is a theory from Michael Porter is very famous at the time of analyzing the competition or competition analysis. The theory is very famous for the term Porter Five Forces Model. The point is actually Porter rate that the company is obviously not only competing with existing companies in the industry today. The analysis commonly used by a company is who is the direct competitor of the company and finally they are stuck in "competitor oriented", so it does not have a clear market vision. In the five forces model it is illustrated that we also compete with our potential competitors, those who will enter, suppliers or suppliers, buyers or consumers, and manufacturers of replacement products. Thus, we must know that there are five forces that determine the characteristics of an industry presented in Figure 5, namely:

1. The intensity of competition between players who have today,
2. Threat of entry of newcomers,
3. Supplier bargaining power,
4. Bargaining power of buyers, and
5. Threat of replacement products.

Figure 5 The Five Forces Porter's (Porter, 1990)

Previous Research Results

In conducting a study entitled "The Influence of Digital Marketing on Improving Competitiveness of SMEs in ASEAN Economic Community (MEA) Case Studies In Little Bandung SMEs researchers conducted literature studies in advance of previous theses and research journals that have themes related to this research. Researchers take several theses and research journals that concern digital digital marketing, SMEs and competitiveness.

The first research journal, Factor Impacting the Adoption of the Internet Among SMEs in Small Business Economic 23, Kluwer Academic Publishers in 2014, conducted by Rubi Roy and Kshetri. This aims of this research is to identify factors - factors on SMEs that have an influence on the use of the Internet, both internal and external factors of SMEs. Internal factors consist of the characteristics of the company, the company's experience and the behavior or habits of using technology as well as the company's strategy. While external
factors that involve issues of infrastructure, competition or environmental competition (industry) and policy issues. Object research on SMEs in the United States. The results of this study suggest that of 91% of samples given to SMEs, 51% have websites, but only 15% use the website to sell products and provide services to consumers on the internet. Technological usage factors that must be owned by the SMEs is an internal factor that is considered to affect the use of internet media. While external factors that influence is the factor of service to consumers (customer service).

The second research journal was conducted by Gilmore, Gallagher and Henry in the European Business Review under the title E-Marketing and SMEs: Operational Lessons for The Future in 2007. This study aims to see the use of the Internet as a marketing activity in SMEs in 2000 - 2004. The research object was conducted on several SMEs in Northern Ireland. This study uses a qualitative approach, by conducting in-depth interviews with marketing or IT managers on internet usage and internet marketing activities in the company. The results of the research note that the use of the Internet does not have a big influence for SMEs because the Internet is only used as a cheap promotional media (just as the transfer of catalogs and brochures). Instead the internet does not widely used as a medium for developing corporate image, fostering relationships with consumers, exchanging information and finding new markets so that the internet is not used as a tool for competitiveness.

Previous research was conducted by Widhianti from University of Indonesia, in 2011 entitled "Factors Affecting Consumers' Purchasing Desire In Online Clothing Store (Study On Consumer of Depok City)". This study aims to determine the factors that affect the desire to buy online, especially on the online clothing store. This study uses quantitative methods and is limited only to assess the quality of service, product quality, perceived risk and comfort orientation that affect the desire to buy online. The results of this study indicated that the consumers of Depok City in making purchases at online clothing stores based on the personal pleasure of consumers, the pleasure of enjoying the shopping process at online clothing stores, as well as for them to shop at online clothing stores is very interesting and is a way to fill the spare time. A summary of previous research is presented in Table 4.

Table 4 Summary of Previous Research

<table>
<thead>
<tr>
<th>No</th>
<th>Researcher/Years</th>
<th>Title</th>
<th>Method</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rubi Roy, Dholakia dan Nir Kshetri/ 2004</td>
<td>Factor Impacting the Adoption of the Internet Among SMEs</td>
<td>Quantitative</td>
<td>Of the 91% of samples given to SMEs, 51% had websites, but only 15% used the website to sell products and provide services.</td>
</tr>
<tr>
<td>2</td>
<td>Audrey Gilmore, Damian Gallagher &amp; Acott Henry/ 2007</td>
<td>E-Marketing and SMEs: Operational Lessons for The Future</td>
<td>Quantitative</td>
<td>The use of the Internet does not have a big effect for SMEs because the internet is only used as a cheap promotional media (just as the transfer of catalogs and brochures)</td>
</tr>
<tr>
<td>3</td>
<td>Weni Widhianti/ 2011</td>
<td>Faktor-Faktor yang mempengaruhi</td>
<td>Quantitative</td>
<td>Consumers of Depok City in making purchases at online clothing stores are based on the...</td>
</tr>
<tr>
<td>4</td>
<td>Maria Teresa, Jose Manuel / 2014</td>
<td>Digital marketing and social media: Why bother?</td>
<td>Qualitative</td>
<td>Marketers can use social media to create digital relationships with customers: (1) performing as a digital or interactive company, thereby maintaining or strengthening the level of use of digital marketing. (2) adopt various types of social media interaction to enhance the use of digital marketing. All efforts in this domain should lead to increased engagement, stronger relationships with customers, and subsequent customer engagement.</td>
</tr>
<tr>
<td>5</td>
<td>Joel Järvinen, Heikki Karjaluoto / 2015</td>
<td>The use of Web analytics for digital marketing performance measurement</td>
<td>Qualitative</td>
<td>By prioritizing WA metrics, marketers can focus on the most important marketing objectives and avoid excessive information. To achieve optimal results, managers must plan a systemic process to manage WA metrics data. Managers must ensure that the organizational context supports the use of WA. They must ensure that WA users have enough time and expertise to use the system and acquire new talent if needed.</td>
</tr>
<tr>
<td>6</td>
<td>Md Daud Ismail, Ahmad Khairy, Azwardi Md Isa / 2014</td>
<td>Managerial Competence, Relationship Quality and Competitive Advantage among SME Exporters</td>
<td>Quantitative (SEM)</td>
<td>Hypothesis 1 predicts a positive relationship between managerial competence and relationship quality. The results showed that managerial competence has a strong and positive effect on relationship quality. ( (\beta = .51, \text{t-value} = 6.45 \ p &lt; 0.001) ) Hypotheses expect a positive effect of managerial competence on competitive advantage. The results show that managerial competence is significantly related to competitive advantage. ( (\beta = 0.23, \text{t-value} = 3.50 \ p &lt;0.001). ) to support the next H2, the results show a positive and significant relationship between RQ and competitive advantage ( (\beta = .33, \text{t-value} = 4.76; \ p &lt;0.001). )</td>
</tr>
</tbody>
</table>
to support H3. Finally, I tested the mediation function of relationship quality by using the Sobel test. The results show that the effect of RQ mediation on the relationship between managerial competence and competitive advantage is significant. (t-value = 3.82; p <0.001), indicating partial mediation function.

S-commerce has no significant effect on business performance of SMEs, where every dimension of s-commerce utilization has not contributed significantly to the formation of business performance of SMEs in Jambi City.

The competitive advantage has a positive and significant impact on the performance of SME businesses, where each dimension of competitive advantage contributes to the formation of business performance of SMEs in Jambi City.

S-commercies have a positive and significant impact on competitiveness of SMEs, whereby every dimension of ecommerce utilization contributes to the formation of competitive advantage of SMEs in Jambi City. Competitive advantage influences significantly in mediating the influence of s-commerce on business performance of SMEs, where there is an indirect effect of competitive advantage over the influence between s-commerce and SME business performance.

Based on the result of the research, it can be concluded that digital marketing strategy implies the competitive advantage of SMEs in marketing their products by 78% and the remaining 22% is due to other factors not examined in this research such as capital capability, resource supply, and managerial professionalism.

Sources : Processed by researcher from some references (2018)

The difference of this research from others is to know the influence of digital marketing to competitiveness with variables and indicators referenced from some previous research and has been adapted to this research. The uniqueness of
this research is also the existence of new indicators and variables based on existing theory applied to the case study of SMEs that joined in Little Bandung. This research aims to know the influence of digital marketing toward competitiveness and levelization of digital marketing in SMEs.

3 RESEARCH METHODE

Framework

Theory Digital Mastery Levers
Digital capability is very important determinants in human factors such as leadership, work culture, mindset and etc. The researcher have assumed that digital capability is a factor that is determined by factors such as advanced technological mastery, advanced R & D facilities, or the ability to apply digital technology. Based on the findings of the Digital Mastery model that the key factors in the digitalization process is on people, either leadership capacity, correct values, mind moderation, and positive ability. The heaviest human resource quality cannot be duplicated (Rudito and Sinaga 2017).

Finding : The Drivers of Digital Mastery
Digital Culture :
- Agility : The capacity to constantly transform and experiment
- Innovation : Innovation concerns
- Creativity : ability to be creative
- Anticipatory : ability to anticipate and act fast in urgent circumstances
- Experimental : The Willingness to seek and try something new
- Open Mindset : availability of information and freedom to communicate
- Networking : The development of networks of relation between all of the company’s stakeholder.

Digital Attitude :
- Digital Knowledge : General knowledge about digital application
- Digital experience : Experience on using business application that is relevant with the level of leadership.

Leadership Skill :
- Visionary Leadership : Skill to creat vision, mission, objectivesa and goals
- Transformational Leadership : Skill to manage change

Digital Leadership Capability :
- Technology Leadership : Knowledge base on digital application
- Digital Visioning : Skill needed to create digital vision
- Digital Execution : Skill to create digital business

Based on the description above Digital Mastery Levers are presented in Figure 6:
Small and Medium Enterprises (SMEs)

Small and Medium Enterprises (SMEs) in Indonesia will grow and develop if able to overcome the increasingly competitive situation. In the current era of digital trends digital marketing is a business model that is believed to be able to make the company follow the dynamics of marketing. With knowing and running the development of digital marketing trends, SMEs can create competitive products in order to anticipate a threat from competitors.

The competitiveness of enterprises, including SMEs, is inseparable from the concept of a country's global competitiveness. According to the World Economic Forum (WEF), Indonesia's global competitiveness ranking in 2008 - 2009 was in 55 from total 134 countries surveyed. If comparing survey conducted annually in 2007 – 2008, Indonesia's rank was 54. Furthermore, for 2010 - 2011, Indonesia's ranking increased to 44. In ASEAN, Indonesia rank is better than Vietnam (59), Philippines (85), and Cambodia (109). However, Indonesia still be under Singapore (3), Malaysia (26), Brunei (28), and Thailand (38).

According to Tambunan (2008a), highly competitive SMEs are characterized by: (1) an increasing trend of growth in production volume, (2) domestic market share or export market, which is always increasing, (3) for domestic market, local markets only but also nationally, and (4) for export markets, not only serve in one country but also many countries. In measuring the competitiveness of SMEs should be distinguished between the competitiveness of products and companies. Product competitiveness is closely related to the competitiveness of the company that produces the product. Some indicators used to measure the competitiveness of a product include: (1) annual export share (percentage of total export), (2) annual market share per year (%), (3) annual export growth rate (%), (4) annual domestic market share (%), (5) annual production growth rate (%), (6) product value or price, (7) diversification of
domestic market, (8) diversification of export markets, and (9) consumer satisfaction.

**Operational Framework**

In analyzing digital marketing for SMEs in Indonesia will involve several subtema that give the character of SMEs, SMEs competitiveness at the level of ASEAN Economic Community, capability to digital marketing. Thus the variables are shown in Figure 7.

---

**Trend of digital era in Indonesia & Malaysia**
- Internet user: 132.7 Million / 51% & 30.96 Million / 76%
- Aktive social media user: 106.0 Million / 40% & 22 Million / 71%
- Unique mobile user: 371.4 Million / 142% & 42.93 Million / 139%

**Small Medium Enterprise (SME’s)**
- Contribution: 61.41% GDP, 96.7% employee, 15.7% ekspor & 4.7 million SMEs have taken advantage of digital technology (e-commerce) & platform marketplace.

**Marketing Digital Faktor Digital Mastery**:
- Digital Culture
- Digital Attitude
- Leadership Skill
  - Digital Leadership Capability
  - Digital Marketing

**Competitionn**

**Structural Equation Model PLS**

---

Figure 7 Operational Framework
Research Hypothesis

H1a : Digital Culture positively influences toward Digital Marketing
H1b : Digital Culture positively influences toward Digital Leadership Capability
H2a : Digital Attitude positively influences toward Digital Marketing
H2b : Digital Attitude berpengaruh positif toward Digital Leadership Capability
H3a : Leadership Skill positively influences toward Digital Marketing
H3b : Leadership Skill positively influences toward Digital Leadership Capability
H4a : Digital Leadership Capability positively influences toward Digital Marketing
H4b : Digital Leadership Capability positively influences toward Competitiveness
H5 : Digital Marketing positively influences toward SME’s Competitiveness

The reference sources of the variables in this study consist of:

Table 5 Source Reference Of Variable

<table>
<thead>
<tr>
<th>No</th>
<th>Source Of Reference</th>
<th>Independent</th>
<th>Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rudito (2017)</td>
<td>Agility</td>
<td>Digital Culture</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creativity</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Anticipatory</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Experimental</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Open Mindset</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Networking</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Knowledge</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Rudito (2017)</td>
<td>Digital Experience</td>
<td>Digital Attitude</td>
</tr>
<tr>
<td>3</td>
<td>Rudito (2017)</td>
<td>Visionary Leadership</td>
<td>Leadership Skill</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transformational Leadership</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Rudito (2017)</td>
<td>Visionary Leadership</td>
<td>Digital Leadership Capability</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transformational Leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Execution</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social Media</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Website</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marketplace</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Search Engine Marketing (SEM)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Digital Promotion</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Collaborations</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Dynamic Capability</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Innovation Product</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Global Orientation</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Rosli (2010)</td>
<td>Competitiveness</td>
<td></td>
</tr>
</tbody>
</table>

Source : Modifying with the researcher from some sources (2018)
Location and Time of Research

The location of the research has done purposively because it has run the SME’s program goes online and got various awards. The data was collected by distributing questionnaires online or directly questionnaires to SMEs in Little Bandung in May - July 2018. Location of the research activity in Bandung West Java Indonesia and Bandar Baru Bangi, Selangor Malaysia in cooperation between Bogor Agricultural University with University of Putra Malaysia. The selection of research sites in both places is because each place has advantages and requirements that are in accordance with the criteria of researchers, namely SMEs that have been marketing online and selling fashion products.

Types and Data Sources

The type of data used in the study consisted of primary data and secondary data. Primary data obtained directly through questionnaires by SMEs as respondents who are Little Bandung members and SMEs in Selangor, Malaysia under the guidance University of Putra Malaysia. Secondary data obtained from various literature sources such as journals, previous research reports, books, internet and, related agencies such as the Ministry of Cooperative and SMEs in Indonesia and Malaysia.

Sampling Method

The population in this study is SMEs in Little Bandung Indonesia and SMEs under the guidance University of Putra Malaysia. Sampling method uses purposive sampling method 100 SMEs in Indonesia and 110 SME’s in Malaysia with assidental sampling for a period of three month by distributing questionnaires to all the SMEs and only SMEs have done online marketing and also SMEs that sell fashion product.

Method of Collecting Data

Data collection is done with some tools those are:
1. Library studies by collecting data and information such as literature, reports, and previous research related to the problems encountered.
2. Interviews with related parties who understand the research problem
3. Questionnaire survey is to provide a list of questions to the respondent about the research problem.

Method of Processing and Data Analysis

The data that has been collected is then analyzed in a quantitative and descriptive approach. Descriptive analysis conducted to know the characteristics of respondents, dominant intentions and factors that affect digital marketing to
SMEs. Quantitative analysis will be conducted by approaching different test model and Structural Equation Model (SEM).

Descriptive analysis is a method in researching the status of groups, people, an object, a set of conditions, a system of thought and a class of events in the present (Nazir 2005). Descriptive analysis will explain the characteristics of respondents that is related to the tendency of respondents. In this study conducted descriptive analysis based on respondents who are SMEs in Little Bandung. The primary data obtained through questionnaires is tabulated in the diagram which is then analyzed.

Structural Equation Model (SEM)

The structural equation model consists of measurement equations and structural equations. The model illustrating the relationship between the latent variables (the unmeasured variables) and their manifest variables (latent variables indicator variables) is called the measurement model. When in the model there is a relationship between latent variables called model or structural equation analysis (SEM). SEM analysis is also called confirmatory factor analysis, covariance structure analysis, latent variable analysis, or linear structural relationship analysis (LISREL) (Firdaus et al, 2011).

SEM analysis has used to examine and justify a model. Therefore, the main requirement of using SEM is to construct a hypothetical model consisting of a structural model and a measurement model in the form of a path diagram based on the justification of theory. There are two variables in SEM model, those are variable latent and variable observed. The variable latent consists of two types of latent exogenous and endogenous latent. Variables latent are abstract concepts that are hypothesized or unobserved and can only be approached through observed variables. Observed variables are variables whose value can be obtained from respondents through data collection methods. Observed variable is a measure of latent variables often called indicator or manifest variables.

Partial Least Squares Analysis (PLS)

According to Willy and Jogiyanto (2015), PLS is a multivariate statistical technique that performs comparisons between multiple dependent variables and multiple independent variables. PLS is one of the variance-based SEM statistical methods designed to solve multiple regressions when specific data problems occur, such as small sample size samples, missing values and multicolinearity data.

PLS is a variance-based structural equation analysis (SEM) that can simultaneously test the measurement model as well as testing the structural model. The measurement model is used to test the validity and reliability while the structural model is used for causality test (hypothesis testing with prediction model). The fundamental difference between PLS which is a variance-based SEM with LISREL or Covarian-based AMOS is the purpose of its use.

Covarian-based SEMs aims to estimate models for testing or confirmation of theories, whereas SEM variants aims to predict models for theoretical development. Therefore PLS is a predictor of causality that uses for theory development. PLS assumes that all variant sizes are variants described so that the latent variable approximation approach is considered a linear combination of indicators. PLS provides a general model of statistical tools, such as correlation
kononikal, analysisi redundancy, linear regression, MANOVA, and principal component analysis. PLS uses an algorithm iteration consisting of the PLS series to avoid the problem of non-recursive model identification (a reciprocal model between independent and dependent variables) that can not be solved by a Covarian-based SEM. In addition, unequal data-scale distributions (eg, in one research model consisting of nominal, ordinal, and scale types interval) on behavioral research becomes a problem in testing statistical tools. However PLS can measure data at different scales simultaneously. PLS can be run on small sets of ten times the scale with the largest number of formative indicators or ten times the number of paths indicating the causal relationship between latent variables.

According Haryono and Wardoyo (2012) to several stages in SEM that is model specification, model identification, model estimation, model fit test, and respecification. Following explanation of each procedure of the SEM:

1. Model Specification

   Specification of research model is done to present the problem under study. Model specifications can show the relationship between variables to be analyzed. The initial step of the model specification is to determine the latent variable as well as the manifest and the relationship between each latent variable and the manifest. The dimensions of a construct should be considered in the model specification. The steps to get a good model specification are:
   a. The unimportant structural and structural measurement model specification is a construction construct formed directly by manifest variables in the form of norfative and formative. Confirmatory factor analysis to test the validity of constructs can be done directly through the first-order construct which is a latent construct reflected by the indicator.
   b. The specification of multidimensional structural and structural measurement models is constructed from a latent-dimensional construct that includes unidimensional constructs with indicator directions to be normative and formative. Confirmatory factor analysis to test the validity of constructs can be done through two stages. The first stage through the first-order construct is the latent construct reflected by the indicator. The second stage of the second-order construct is a construction reflected by the latent construct of its dimension.

2. Identify the model

   The model identification is performed to address if an unidentified model occurs. There are three possible identification models in SEM:
   a. Unidentified model, where the value of \( t \geq s / 2 \); ie the model with an estimated number of parameters greater than the amount of data known or have negative df
   b. The new model is identified, where the value \( t = s / 2 \); ie the model with an estimated number of parameters equal to the amount of data known or has zero df
   c. An overly identified model, where the value of \( t \leq s / 2 \); ie the model with the estimated number of parameters smaller than the amount of data known or have a positive df

3. Estimate the model

   Performed to get values from predefined parameters. Model estimation can be used additional software that is linear structural relationship (LISREL)
4. Model matching test
   At this stage the data matching is done by model, validity and reliability, coefficient of structural model marking. Here are the stages of game data evaluation:
   a. The overall model fit, done by estimating the Goodness of fit index (GFI).
      GFI is classified as an absolute match size that compares the hypothesized or non-modeled model at all.
      \[
      GFI = 1 - \frac{F}{F_0}
      \]
      Note:
      \(F\) : The minimum value from F when a model is hypothesized
      \(F_0\) : The minimum value of F, when no model is hypothesized
      The value of GFI is 0-1
      \(GFI \geq 0.90\) : good fit
      \(0.80 \leq GFI < 0.90\) : marginal fit
   b. Fit measurement model, after the model fit test is done, the evaluation of the measurement model should be done. This evaluation will conduct in every construct or measurement model by estimating validity and reliability.
      Good validity:
      Nilai t loading faktor \(\geq 1.96\) (valid)
      Reabilitas yang baik:
      Nilai Construct Reability \(\geq 0.7\)
      Nilai Variance extracted \(\geq 0.5\)
   c. The fit of the structural model includes checking for the estimated coefficients but also the t-value for each coefficient. The suitability of the structural model is tested by the value of R2 which can give a description of the size of a match relative to the structural equation.

5. Respecification or modification of the model
   The next step is taken after a suitable test. After the model estimation, the modification model can still be developed if the residual is still too large.
   Terms of modification are:
   a. Standardization of residual covariances matrix is outside -2.58 \(\leq\) residual range \(\leq 2.58\)
   b. Probability (P) \(<0.05\)

Based on the model formulated in Fig. 8, there are 22 indicators that are AGL, INV, CRT, ANT, EXP, OMD, NET, DKN, DEX, VLD, TLD, DEC, TCL, DVS, DEX, DCP, INV, and GOT. Each of these indicators describes exogenous latent variables ie DC, DA, LS, DLC and DS. Furthermore, endogenous latent variables are formed under the name of MD. Endogenous latent variables are described by 6 indicators : SMD, WEB, MP, APS, SEM, DCL. So from the model there are 24 indicators formed, Analysis Methods PLS-SEM presented in Figure 8.
Figure 8 PLS SEM Research Model

**Indicator Relationship with Variables Latent:**

**Digital Culture:**
- AGL$_1$: Agility, The capacity to constantly transform and experiment
- INV$_2$: Innovation, Innovation concerns
- CRT$_3$: Creativity, ability to be creative
- ANT$_4$: Anticipatory, ability to anticipate and act fast in urgent circumstances
- EXP$_5$: Experimental, The Willingness to seek and try something new
- OMD$_6$: Open Mindset, Availability of information and freedom to communicate
- NET$_7$: Networking, The development of networks of relation between all of the company’s stakeholder.

**Digital Attitude:**
- DKN$_1$: Digital Knowledge, General knowledge about digital application
- DEX$_2$: Digital experience, Experience on using business application that is relevant with the level of leadership.

**Leadership Skill:**
- VLD$_1$: Visionary Leadership, Skill to creat vision, mission, objectives and goals
- TLD$_2$: Transformational Leadership, Skill to manage change

**Digital Leadership Capabiliti:**
- TCL$_1$: Technology Leadership, Knowledge based on digital application
- DVS$_2$: Digital Visioning, Skill needed to create digital vition
- DEC$_3$: Digital Execution, Skill to create digital business

**Digital Marketing:**
- SMD$_1$: Social Media
- WEB$_2$: Website
- MP$_3$: Market Place
Operational Definition of Variables

Operational definition of variables according to Sugiyono (2008) is a definition in specifically in accordance with the criteria of testing or measurement. An explanation for understanding of some variables will be grouped into categories to facilitate the collection of data, each variable categorized by the measurement scale presented in Table 6:

Table 6 The Definition of Operational Variable

<table>
<thead>
<tr>
<th>No</th>
<th>Variabel</th>
<th>Definisi</th>
<th>Indikator</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Characteristics</td>
<td>Personality traits of respondents who attached to him since birth and develop until now.</td>
<td>• Age&lt;br&gt;• Level of education&lt;br&gt;• Entrepreneurship experience&lt;br&gt;• Income level&lt;br&gt;• Number of employees&lt;br&gt;• Social Media&lt;br&gt;• Website&lt;br&gt;• Mobile Aplications&lt;br&gt;• Search Engine Marketing&lt;br&gt;• Digital Colaborations&lt;br&gt;• Market Place (Jayaram, 2015)</td>
</tr>
<tr>
<td>2.</td>
<td>Digital Marketing (Chaffey and Chadwick, 2016)</td>
<td>Achieving marketing objectives through applying digital technologies and media.</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Competitiveness</td>
<td>Any company that competes in an industry has an explicit or implicit competitive strategy. Suendro (2010)</td>
<td>• dynamic capabilities,&lt;br&gt;• innovation,&lt;br&gt;• global orientation (Rosli, 2012)</td>
</tr>
<tr>
<td>4.</td>
<td>Digital Culture (Rudito, 2017)</td>
<td>The company's Digital Culture in achieving digital transformation with the goal of becoming a digital master, which is a shaping element of Digital Leadership</td>
<td>• Agility : The ability to keep changing and experimenting&lt;br&gt;• Innovation : Innovation Focus&lt;br&gt;• Creativity : the ability to be creative&lt;br&gt;• Anticipatory : the</td>
</tr>
</tbody>
</table>
5. **Digital Attitude**  
(Rudito, 2017)  
Digital Attitude in achieving digital transformation with the goal of becoming a digital master, which is a shaping element of Digital Leadership Capability.

- **Digital Knowledge**: General knowledge of digital applications
- **Digital Experience**: Experience using business applications that are relevant to the leadership level.

6. **Leadership Skill**  
(Rudito, 2017)  
Leadership skills in achieving digital transformation with the goal of becoming a digital master, which is a shaping element of Digital Leadership Capability.

- **Visionary Leadership**: Skill to create vision, mission, and goals
- **Transformational Leadership**: Skill to manage change

7. **Digital Leadership Capability**  
(Rudito, 2017)  
An organization's digital capabilities are determined by the ability of leaders in moving digital transformations that affect the three elements of Digital culture, Digital Attitude, and Leadership Skill.

- **Technology Leadership**: Knowledge-based digital applications
- **Digital Visioning**: Skill is needed to create a digital vision
- **Digital Execution**: Skill to create a digital business

Source: Modifying with the researcher from some sources (2018)
4 RESULTS AND DISCUSSION

This research was conducted in two city: Bandung city, Indonesia and Bandar Baru Bangi City, Malaysia. Bandung City is one of the cities in West Java which show big economic potential. The economic potential can be seen from creative industries in location. The number of creative industries in Bandung continues to increase every year. The creative industry in Bandung is dominated by Small and Medium Enterprises (SMEs).

SMEs contribute an important role in the economy, this can be shown by the ability of SMEs to drive local and national economic activities and to provide employment. Based on the contribution, SMEs in Bandung received Natamukti Nindya award as a city with the best development of Small and Medium Enterprises (SMEs) in Indonesia based on the Indonesia Council for Small Business (ICSB) and the Ministry of Cooperatives and SMEs. This award is accepted by Ridwan Kamil as Bandung’s mayor in 2016. Bandung won this award because Bandung able to create a good economic climate and local products from Bandung expand to international market. Small scale industries in there generated rupiah circulation through online shopping. There are around Rp 20 million transactions per year from 300,000 SME level businesses in Bandung.

SMEs contribute a very important role for economic growth. In its development, SME contributes a lot to the national economy, including giving a role in absorbing many labors so that it helps the government in solving unemployment problems, expanding employment, increase people's incomes and contribute to the country's foreign exchange through exports.

In this research, Little Bandung SMEs was chosen as the respondent because Bandung SMEs could be used as an example in increase the movement of SMEs for other Cities or Districts in Indonesia. Little Bandung is a program from Ridwan Kamil as Mayor which was launched in 2016 through the Department of Industry and Trade in Bandung City. In Little Bandung there are 170 SMEs joined since 2016 divided into several categories, namely fashion, craft, culinary and others, but the respondents in this study were specifically fashion categories about 100 SMEs.

Bandar Baru Bangi is located in the Upper Hulu region and under the appointment of Majlis Perbandaran Kajang (MPKj). Bandar Baru Bangi located approximately 12 kilometers from Kajang city and 6 kilometers from Bangi Lama. Bandar Baru Bangi is the center of economic activities from various types of economies such as industry and e-commerce. This is a job opportunity for local residents, especially in the 7th, 8th and 9th sections. The trade center is divided into several areas, namely PKNS area, Bangi Gatway, News, De Centrum City Mall and Evo Mall. Bandar Baru Bangi is famous as a clothing industry area. There are various types of commerce such as boutiques located in Bandar Baru Bangi. Every boutique in Bandar Baru Bangi offers a unique collection and high quality product. The offered price is also very competitive.

Bandar Baru Bangi, Selangor Malaysia was chosen to be a place of research because it had advantages that can represent SMEs in Malaysia, especially in the field of fashion. SMEs in Bandar Baru Bangi, Selangor is the
area that has the most SMEs in Malaysia with 125,904 or 19.5% based on the 2011 Economic Census, Department of Statistics, Malaysia. Bandar Baru Bangi is one of the creative industry areas that was formed through the Malaysian SMEs Ministry program and has a collaboration program with several private parties, one of which is Alibaba's collaboration in marketing SMEs products through the marketplace.

**Characteristics of Respondents**

Respondents in this study consist of 100 SMEs from Bandung city in Indonesia joined in Little Bandung and 110 SMEs from Bandar Baru Bangi complex, Bani Central, and Bangi Gate Way in Malaysia there were 110 SMEs. Characteristics of specific SMEs’ in the fashion sector consist of age, gender, education, length of business and number of employees. Respondents in this study were selected purposively based on the location of fashion businesses in the Bandung city which are incorporated into Little Bandung and Bandar baru Bangi with SMEs that is “goes online” as research locations. Fashion business in the Bandung continually develops because the enthusiasm of people to fashion increased. Bandung is also known as the fashion city in Indonesia. In Malaysia Bandar Baru bangi is also know an area that is the center of fashion industry in Malaysia.

**Gender of Respondents**

Respondents in this study totaled 100 SMEs from Indonesia and 110 SMEs in Malaysia. The results study from Indonesian shows that they are 58% female and 42% male. This situation shows that women are more active to play in fashion business than men but the role of men should not be excluded because now the number men in participating in entrepreneurship especially in fashion business increase. While in Malaysia men in business fashion is higher than women 75% men and 25% women presented in Figure 9.

![Figure 9 Characteristics Gender of Respondents (%)](source: Primary Data, processed (2018))

**Age of Respondents**

Based on the results, many respondents in Indonesia who are Little Bandung members are a relatively young. Based data, respondents consist of 8% for category 16-25 years old, 67% for category 26 - 35 year old or the highest percentage, 15% for category 36-45 year old, and 9% for category 45-55 years old,
1% for category of 56 - 65 years. In Malaysia respondents is not too different with Indonesia respondents are dominated by young people with a percentage of 75% for age category 26-35 year old, 17% for age category 36-45 year old, 5% for age category 46-55 year old, and 3% for age category 16 - 25 year old.

The majority of respondents from both countries are youth group with the largest percentage. Youth entrepreneurs are more productive because they are show some advantages like high motivation and more responsive to changes that occur in their environment such as information technology that is growing rapidly. They can also easily take advantage of technological advances in the digital era as one example is access to digital marketing, age of respondents presented in Figure 10.

![Age of Respondents](image)

**Figure 10 Age of Respondents (%)**

Source : Primary Data, processed (2018)

**Education Respondents**

Education level of respondents spread from the high school level to Postgraduate. The majority of Indonesian respondents' educational backgrounds show Diploma and Bachelor degrees about 50% and followed by high school / vocational level as much as 46% and most recently the Postgraduate level is 4%. While in Malaysia the majority of respondents who were educated Diploma and Bachelor as much as 62.7% and followed by the level of SMA / SMK as much as 25.5% and Postgraduate as much as 11.8%.

![Education](image)

**Figure 11 Characteristics of Educational Respondents (%)**

Source : Primary Data, processed (2018)
**Duration of Respondents' Efforts**

Based on the results of the distribution of respondents' data in Indonesia, it was dominated by respondents were pioneering their businesses, with business period of 1-5 years about 74%, business period of 6-10 years about 22% and 4% for business duration of 11-15 years. While respondents of Malaysia were only dominated by 62% of business period 1 - 5 years, 25% for business period 6-10 years and 3% for business period 11-15 years.

![Period of Respondents' Efforts](image)

Figure 12 Characteristics of Old Business Respondents (%)
Source : Primary Data, processed (2018)

**Total of Respondent Workers**

The number of workers is an important element in running a business as one indicator for business productivity. The SME respondents in Indonesia, the type of business category included in the type of micro business with the highest number of workers around 1 - 4 workers by 43% and 32% for 5-19 workers and 25% for 20-29 workers. The SME respondents in Malaysia had the highest number of worker around 5 - 19 workers about 49% and 27% for 20 - 29 workers and 24% for 1 - 4 workers.

![Total of Workers](image)

Figure 13. Characteristics of Respondents Total of Workers (%)
Source : Primary Data, processed (2018)
The Relationship of the Role of Digital Marketing on the Competitiveness of Fashion Product Small and Medium Enterprises (SMEs)

In this study the variables test with SEM PLS analysis which aims to see predictive orientation by confirmatory research with the approach of two sub-models, measurement model (outer model) and structural model (inner model). According to Ghozali and Latan (2014), evaluation of the reflective outer model is based on five criteria, namely the examination of convergent validity, discriminant validity, composite reliability, crossloading, and cronch alpha. The evaluation of this model analyzed with SMART PLS 3.0 software. The outer model evaluation carried out in two stages, initial model and model specification.

Initial stage is to set the loading factor value for each indicator. The indicators contained in the construct will be released in stages based on standardization of loading factor > 0.7 because this research is confirmatory (Ghozali & Latan, 2014). The value of the loading factor > 0.7 indicates a valid construct. This study uses a standard loading factor of 0.7, if the value of the construct indicator is <0.7, it must be removed from the model. After evaluating the construct variable indicators through the standardized loading factor value, this model is re-estimated, namely through the PLS Algorithm test. The test results will show several explanations in the form of loading factor values, average variance extracted, cross loading, composite reliability and cronch alpha.

The criteria and standards are Loading Factor > 0.7, Average Variance Extracted (AVE) > 0.5, Composite Reability > 0.6, Cross Loading Has a higher correlation value than other indicators and Cronch Alpha > 0.7. The criteria and standardization of outer models evaluation are presented in Table 7.

Table 7 Results of Model Suitability Criteria

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Standard</th>
<th>Result</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loading Factor</td>
<td>&gt; 0.7</td>
<td>Indicator ANT, CRT, EXP,</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>INV, NET, OM, DEX, DK,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>TDL, VLD, DET, DVS,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>TCL, SEM, SMD, WEB,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>GOT, IP</td>
<td></td>
</tr>
<tr>
<td>Average Variance Extracted (AVE)</td>
<td>&gt; 0.5</td>
<td>DA : 0.722, DS : 0.806</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DC : 0.636, LS : 0.766</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLC : 0.647, MD : 0.685</td>
<td></td>
</tr>
<tr>
<td>Composite Reability</td>
<td>&gt; 0.6</td>
<td>DA : 0.838, DS : 0.893</td>
<td>Reliabel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DC : 0.913, LS : 0.868</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLC : 0.846, MD : 0.867</td>
<td></td>
</tr>
<tr>
<td>Cross Loading</td>
<td>Has a higher correlation value than other indicators</td>
<td>All correlation values of latent variables are greater than the correlation of other latent variables</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Table 8 Results of Model Suitability Criteria (Continue)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Standard</th>
<th>Result</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronch Alpha</td>
<td>&gt; 0.7</td>
<td></td>
<td>Reliabel</td>
</tr>
<tr>
<td>DA</td>
<td>0.617</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td>0.885</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLC</td>
<td>0.728</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DS</td>
<td>0.759</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS</td>
<td>0.695</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MD</td>
<td>0.771</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Primary Data, Processed (2018)

Construct validity is assessed based on Average Variance Extracted (AVE). In this study, AVE values of each construct are above 0.5. Therefore there is no problem of convergence validity in the model being tested. The whole model is valid. Constructability reliability is assessed based on Composite reliability to measure internal consistency and its value must be above 0.6 based on table 4. Composite reliability measurement results overall are above the value 0.6 or reliable. This means that the data has been consistent and able to explain the model. Besides that, the calculation of all variables that Cronch Alpha value > 0.7, Composite Reliability value > 0.6 and Average Variance Extracted (AVE) > 0.5 means that all variables are reliable.

The First Model Evaluation Results

The path diagram by loading the initial factor for Indonesian data is presented in the top image and Malaysian data presented in the bottom image is shown in Figure 14 and 15.

Figure 14 Path diagram with initial loading factors (Indonesia)
The value of loading factor is an individual reflective measure that has a standard of 0.7 (Ghozali & Latan, 2014). Based on the results of the study, the loading factor below 0.7 must be removed from the model. After the issuance of indicators that do not meet the standards for data in Indonesia, namely 1Yr, 3Yr, DCV, AGL, APS, DCL, MP and Malaysian data which have a loading factor below 0.7 is 1Yr, 3Yr, APS, DCL. Then the model meets the first requirements, so that the final recipient model path diagram.

The Inner Model Evaluation Results (Hypothesis Testing)

Testing this hypothesis aims to see the significance of the influence between variables on competitiveness at the level of significance $\alpha = 0.5\% (0.05)$. Based on the results of the inner model test (Structural Model) through Smart PLS 3.0 the results are as shown in Figure 16 for Indonesia data and Figure 17 for Malaysia data.
Based on the results of Indonesian SMEs data obtained, the value of $R^2$ from the three variables is included in the substantial category. Digital Marketing Variables, Digital Leadership Capability and Competitiveness have a value of 0.430, 0.443 and 0.365 indicating the following variables can represent the variables contained in the model. The value of $R^2$ shows that the model has good predictive relevance. According to Tenenhaus (2004), the value of GoF small = 0.1 GoF medium = 0.25 and large GoF = 0.5. The Gof value obtained is 0.555 and is included in a large category which means that the model is fit and feasible to use. Based on testing $R^2$, $F^2$, and GoF, it can be seen that the model formed is big model so that the final model can be carried out by the next process, namely the hypothesis.
Based on the results obtained from Malaysia SME respondents, the value of $R^2$ from the three variables is included in the substantial category. Digital Marketing Variables, Digital Leadership Capability and Competitiveness have a value of 0.438, 0.623 and 0.606 show the present variables can represent the variables contained in the model. The value of $R^2$ shows that the model has good predictive relevance. According to Tenenhaus (2004), the value of GoF small = 0.1 GoF medium = 0.25 and large GoF = 0.5. The GoF value obtained is 0.639 and is included in a large category which means that the model is fit and feasible to use. Based on testing $R^2$, $F^2$, and GoF, it can be seen that the model formed is big model so that the final model can be carried out by the next process, namely the hypothesis. Therefore results of the inner model criteria in Indonesia and Malaysia are as shown in Table 8 and attached at appendices 1 and 2.
Table 8 Results of the inner model criteria (Indonesia & Malaysia)

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Standard</th>
<th>Inner Model (Indonesia)</th>
<th>Inner Model (Malaysia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R Square</td>
<td>classify value of R to 0.67 : 0.33 : 0.19 as “substantial, moderate and weak”</td>
<td>DA -&gt; DLC : 0.335</td>
<td>DA -&gt; DLC : 0.170</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DC -&gt; DLC : 0.019</td>
<td>DC -&gt; DLC : 0.003</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LS -&gt; DLC : 0.067</td>
<td>LS -&gt; DLC : 0.211</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DA -&gt; MD : 0.016</td>
<td>DA -&gt; MD : 0.083</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DC -&gt; MD : 0.081</td>
<td>DC -&gt; MD : 0.058</td>
</tr>
<tr>
<td></td>
<td></td>
<td>LS -&gt; MD : 0.036</td>
<td>LS -&gt; MD : 0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLC -&gt; MD: 0.027</td>
<td>DLC -&gt; MD: 0.010</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLC -&gt; DS : 0.019</td>
<td>DLC -&gt; DS : 0.107</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MD -&gt; DS : 0.375</td>
<td>MD -&gt; DS : 0.690</td>
</tr>
<tr>
<td>F Square</td>
<td>0.02, 0.15 and 0.35 (weak, moderate and strong)</td>
<td>DA -&gt; DLC : 0.170</td>
<td>DA -&gt; DLC : 0.003</td>
</tr>
<tr>
<td>GoF</td>
<td>0.1 (small), 0.25 (moderate), 0.36 (large)</td>
<td>DC -&gt; DLC : 0.003</td>
<td>DC -&gt; DLC : 0.211</td>
</tr>
</tbody>
</table>

Source: Primary Data, processed (2018)

The following are the results of testing the significance obtained from Table 9. The path coefficients are as follows.

Table 9 Hypotesis Test (Indonesia)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC -&gt; MD</td>
<td>0.297</td>
<td>2.654</td>
<td>0.008</td>
<td>Significant</td>
</tr>
<tr>
<td>DC -&gt; DLC</td>
<td>-0.143</td>
<td>1.233</td>
<td>0.218</td>
<td>Not significant</td>
</tr>
<tr>
<td>DA -&gt; MD</td>
<td>0.136</td>
<td>1.289</td>
<td>0.198</td>
<td>Not significant</td>
</tr>
<tr>
<td>DA -&gt; DLC</td>
<td>0.542</td>
<td>5.602</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>LS -&gt; MD</td>
<td>0.224</td>
<td>1.627</td>
<td>0.104</td>
<td>Not significant</td>
</tr>
<tr>
<td>LS -&gt; DLC</td>
<td>0.293</td>
<td>2.326</td>
<td>0.020</td>
<td>Significant</td>
</tr>
<tr>
<td>DLC -&gt; MD</td>
<td>0.164</td>
<td>1.710</td>
<td>0.088</td>
<td>Not significant</td>
</tr>
<tr>
<td>DLC -&gt; DS</td>
<td>0.124</td>
<td>1.502</td>
<td>0.134</td>
<td>Not significant</td>
</tr>
<tr>
<td>MD -&gt; DS</td>
<td>0.546</td>
<td>6.920</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Primary Data, processed (2018)

Information: P-value < 0.05 = significant

Based on Table 10, the test of the influence DC to MD produces a parameter coefficient of 0.297 and a t-statistic value of 2.654 with a significance level (p-value) = 0.008 (<0.05). These results indicate that the influence of DC on MD is positive and significant, then H1a is accepted which means that Digital Culture has an effect on Digital Marketing while the Digital Leadership Capability has no effect which means H1b is rejected.
The test of the influence DA on DLC resulted in a parameter coefficient of 0.542 and a t-statistical value of 5.602 with a significance level (p-value) = 0.000 (<0.05). These results indicate that the effect of DA on DLC is positive and significant, then H2b is accepted which means that Digital Attitude has an effect on Digital Leadership Capability while Digital Marketing has no effect, H2a is rejected.

The test of the influence LS on DLC produces a parameter coefficient of 0.293 and a t-statistic value of 2.326 with a significance level (p-value) = 0.020 (>0.05). These results indicate that the influence of LS on DLC is positive and significant, so H3b is accepted which means that Leadership Skill has an effect on Digital Leadership Capability while Digital Marketing has no effect, H3a is rejected.

The test of the influence DLC on MD produces a parameter coefficient of 0.164 and a t-statistic value of 1.710 with a significance level (p-value) = 0.080 (>0.05). These results indicate that the effect between DLC on MD is positive and not significant, then H4a is rejected which means that Digital Leadership Skill has no effect on Digital Marketing and on Competitiveness does not affect H4b is rejected.

The test of the influence MD on DS produces a parameter coefficient of 0.546 and a t-statistical value of 6.920 with a significance level (p-value) = 0.000 (>0.05). These results indicate that the influence of MD on DS is positive and significant, then H5 is accepted which means that Digital Marketing influences Competitiveness.

Table 10 Hypotesis Test (Malaysia)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>T Statistics</th>
<th>P Values</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>DC -&gt; MD</td>
<td>0.281</td>
<td>2.353</td>
<td>0.019</td>
<td>Significant</td>
</tr>
<tr>
<td>DC -&gt; DLC</td>
<td>0.054</td>
<td>0.470</td>
<td>0.638</td>
<td>Not Significant</td>
</tr>
<tr>
<td>DA -&gt; MD</td>
<td>0.337</td>
<td>1.944</td>
<td>0.052</td>
<td>Not Significant</td>
</tr>
<tr>
<td>DA -&gt; DLC</td>
<td>0.364</td>
<td>3.720</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>LS -&gt; MD</td>
<td>0.003</td>
<td>0.021</td>
<td>0.983</td>
<td>Not Significant</td>
</tr>
<tr>
<td>LS -&gt; DLC</td>
<td>0.451</td>
<td>4.048</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>DLC -&gt; MD</td>
<td>0.124</td>
<td>0.858</td>
<td>0.391</td>
<td>Not Significant</td>
</tr>
<tr>
<td>DLC -&gt; DS</td>
<td>0.244</td>
<td>2.548</td>
<td>0.011</td>
<td>Significant</td>
</tr>
<tr>
<td>MD -&gt; DS</td>
<td>0.619</td>
<td>9.258</td>
<td>0.000</td>
<td>Significant</td>
</tr>
</tbody>
</table>

Source: Primary Data, processed (2018)
Information: P-value < 0.05 = significant

Based on Table 11. The test of the influence DC on MD produces a parameter coefficient of 0.281 and a t-statistical value of 2.353 with a significance level (p-value) = 0.019 (<0.05). These results indicate that the influence of DC on MD is positive and significant, then H1a is accepted which means that Digital Culture has an effect on Digital Marketing while the Digital Leadership Capability has no effect which means H1b is rejected.

The test of the influence of DA on DLC resulted in a parameter coefficient of 0.364 and a t-statistic value of 3.720 with a significance level (p-value) = 0.000 (<0.05). These results indicate that the effect of DA on DLC is positive and
significant, then H2b is accepted which means that Digital Attitude has an effect on Digital Leadership Capability while Digital Marketing has no effect, H2a is rejected.

The test of the influence LS on DLC resulted in a parameter coefficient of 0.451 and a t-statistic value of 4.048 with a significance level (p-value) = 0.000 (> 0.05). These results indicate that the influence of LS on DLC is positive and significant, so H3b is accepted which means that Leadership Skill has an effect on Digital Leadership Capability while Digital Marketing has no effect, H3a is rejected.

The test of the influence DLC on DS produces a parameter coefficient of 0.244 and a t-statistical value of 2.548 with a significance level (p-value) = 0.011 (> 0.05). These results indicate that the influence of the DLC on MD is positive and significant, then H4a is accepted which means that the Digital Leadership Capability has an effect on Competitiveness and Digital Marketing has no effect, H4b is rejected.

The test of the influence MD on DS resulted in a parameter coefficient of 0.619 and a t-statistical value of 9.258 with a significance level (p-value) = 0.000 (> 0.05). These results indicate that the influence of MD on DS is positive and significant, then H5 is accepted which means that Digital Marketing influences Competitiveness.

Based on the results of hypothesis testing, it was found that SMEs in Indonesia and Malaysia, namely Digital Attitude variables had a significant effect on Digital Leadership Capability, Digital Culture had a significant effect on Digital Marketing, Leadership Skill had a significant effect on Digital Leadership Capability, Digital Marketing had a significant effect on Competitiveness. Whereas based on the results of hypothesis testing in Malaysian SMEs getting variables that are also significant, namely Digital Leadership Capability has a significant effect on Competitiveness.

Factors of Digital Marketing Effectiveness in Fashion Product Small and Medium Enterprises (SMEs)

Digital Culture versus Digital Marketing

Based on an analysis conducted by digital culture, it has an effect on digital marketing in fashion businesses in Indonesia and Malaysia. Hypothetically acceptable, PLS analysis shows that the coefficient value is 0.297, 0281 and t-statistic test is 2.654, 2.353 is basically sufficient to show a significant influence. SMEs have the opportunity to take advantage of digital market development, because SMEs have the entrepreneurship spirit in cultural values in running the business business. SMEs are a form of an entrepreneurial spirit that is changing, creating, innovating, trying new things, networking, and opening to all possibilities and adapting to market situation.

This research is conducted in a parallel with Teresa and Manuel (2014) that marketing using social media to create digital relationships with customers can be done by interactive means thereby maintaining or strengthening the level of use of digital marketing and adopting various types of social media interactions to increase the use of digital marketing. All these efforts must lead to increased
involvement, stronger relationships with customers, and subsequent customer involvement.

The digital era creates equal opportunities for fashion brands, including SMEs. They have capacity to always survive and adapt in landscape change and look for alternatives that fit market need. Previously, SMEs were difficult to develop because of lack promotion factors. A brand highly depends on the promotion media such as magazines, newspapers, and television. The fashion industry has strong and reciprocal relationships in the technological era. In marketing, in the 19th century people only knew print media as distribution channel for fashion information. It has changed and people became increasingly familiar with magazines and television as alternative. These developments had a major impact on the travel of the fashion industry throughout the twentieth century. Print magazines appeared as fashion information channels that play a significant role in directing trends and consumer perspective. The time continually change. In entering the twenty-first century, the role of print media begin to decrease and replaced by digital media. The internet appears as a means of connecting the flow of information and communication back and forth. Digital technology changed many aspect of the fashion world, the presence of internet not only give benefits for long-established fashion brands, but also opens new opportunities for the developing brands or new brands whose capital is relatively small or still be starting to do business (start-up) such as business small and medium.

The presence of digital technology in the fashion industry is not only talk about websites, e-commerce and social media, not only marketing aspect and buying-selling aspect, but also the ability to keep changing and to adjust consumer behavior in online. Innovation is the key to produce competitive product and new products from previous product. Innovative products are product that able to provide new things and new color in the fashion industry. Innovation also not only focuses on products, but also organizes and manages management. The good fashion industry must be able to present an operation set from in production process, promotion and satisfaction in services. This innovation will be able to run if there is any awareness that innovation is becoming increasingly important and open to be done in the digital era.

Creativity and toughness are the fuels that SMEs must always have because of intense competition and limited capital. For the fashion industry unique and deficient products are needed. This can be done by paying attention to who is the target of the consumer. Creativity that collaborates with digitalization will provide benefits and opportunities for SMEs to move forward and compete. Creative processes will bring new ideas so that the product will be differentiated. Differentiation is very important because SMEs are able to have high selling points.

The presence of digital technology in the fashion industry on an SME scale is not only tangible in websites, e-commerce and social media. The utilization is not only in the marketing field, but throughout the supply chain of the fashion industry, including in making forecast trends, creativity and commercial aspects.

Anticipatory attitudes also need to be looked at, especially the fashion industry. Changing trends force SMEs to prepare a series of strategies to be able
and still exist in the market. Content Marketing and Search Engine Marketing are the things that determine the success of marketing in the digital world. At present the strategy of using content marketing focuses more on finding organic visitors through quality content which is one of the most reliable on-line marketing strategies today. Content - visual content is an option, because consumers do not have much time to review one by one long writing, they will choose writings that have visual coherence. The website has become one of the means to implement a strategy, using a mobile friendly website, because some internet users come from smartphone users. Social media can be the most effective marketing strategy. Nowadays social media marketing is a popular marketing trend among SMEs. A method is often used by distributing interesting content through social media.

In the future SMEs must begin integrating IT systems with their business units, such as analysis tools (demand analysis, price elasticity, return on promotion), processes (performance measurement, planning, promotion), from SMEs themselves. SMEs should be able to carry out the right combination starting from identifying the type of consumer, dividing consumer grouping, and handling each type of consumer. SMEs also need to make promotional policies in approaching consumers who will influence market share. Actions that can be done by SMEs include creating consumer loyalty programs, direct promotion to consumers, working with producers to design and define promotional activities and build the measurement and analytical skills needed to carry out evaluations of calorific (cooperation) environmental outcomes, while the perpetrators SME businesses must also be open or open minded to consumers' desires because they not only want attractive offers, but they want to get services such as the choice of variants of product availability, convenience of shopping, and the right price, and on-line transactions.

**Digital Attitude versus Digital Leadership Capability**

The results of the analysis show that Digital Attitude has an effect on Digital Leadership Capability. The coefficients of 0.542 and 0.364, while t-counts with a value of 5,602 and 3,720 are sufficient to reflect fashion SMEs in Malaysia and Indonesia have a close relationship with leadership in the digital era. The presence of the digital market does not necessarily change the status of SMEs, they are actually business actors. But it is worth looking at, era disruption certainly changes some of the things that occur in their environment, especially from knowledge and abilities. The paradox that occurs and often appears that the online world will turn off offline, is not entirely true. What happened, the market has now begun to change and transformed into on-line in the form of being revitalized. The transformation from the conventional era to the digital era, requires these SMEs to transform also in terms of digital knowledge.

SMEs must see that digitalization is a business opportunity that must be achieved in the form of digital knowledge and strategy. If viewed based on the analysis of the characteristics of % of business actors, they are those consisting of millennials aged 25-35 years. They are not difficult people to be given knowledge and understanding of the use of digital applications. They live and are born in the era of technological advances; technology has become a daily activity. The thing that needs to be continually improved is the capacity and desire to continue to make changes in business with professionals.
Digital knowledge such as landing pages, social media, e-commerce, websites, digital transactions, mobile banking, is a basic knowledge that at least SMEs are able to use and are familiar with. These digital applications can be used to help businesses and drive progress for the business they are in. The performance of the SME business will increase and prove effective if the application used is in accordance with the leadership capabilities and vision of the SME owner.

Digital experience will shape the self-confidence of SMEs. Conventionally SMEs are well organized in physical form, such as shops, employees, displayed items, can be visited directly, and a series of other physical activities. But the story is different if in digital form, everything turns into virtual, which is found in the form of image content, testimonials, rating share, and the ability that is equally good at organizing so that businesses can be sustainable. Digital applications can make work more effective and time more efficient for those who already understand how easy it is to work in a digital world.

Digital applications have the potential to increase the productivity of SMEs, because product transactions can be controlled at one time from raw material collection, production processes, to marketing to end consumers can be managed at one time. One of them is by using mobile devices such as smartphones and laptops. Digital applications such as social media are available ranging from instant messaging to social networking sites that offer users to interact, connect and communicate with each other. Applications - these applications intend to initiate and share information online about user experience in consuming products or choosing brands, with the main goal of engaging consumers. In the context of business, people engagement can lead to the creation of profits; of course this spearhead begins with digital promotion.

Based on Rahayu and Day (2017) that technological readiness, owner innovation, owner's IT capabilities and owner's IT experience are the determining factors that influence Indonesian SMEs in adopting e-commerce. Basically, this research is in line that digital attitudes will affect the digital capabilities of SMEs, especially in this study, in adopting e-commerce.

Based on the results of Ghezzi and Cavallo (2017) Agile Development (AD), in the context of Strategic Agility with an integrated framework, it shows that LSAs can be used as an agile method to enable Business Model Innovation in Digital Entrepreneurship. In line with this study, digital attitudes are required to be agility, which is one indicator of digital attitudes.

**Leadership Skill vs Digital Leadership Capability**

In running a business, both SMEs and the Company definitely need a vision, mission, and have goals from each leader because in the fashion industry the differentiated and creative basis is creation. In creating these creations a vision of a leader is needed. In addition to things above self-confidence, as well as motivating abilities are the most important things.

When a micro, small and medium scale business is still needed a true entrepreneurial spirit. The spirit can be seen from the vision, mission, and skills in managing change. Without an entrepreneurial spirit, SMEs will not survive or die. The business landscape that is changing rapidly as it is today, SMEs that do not have a mental entrepreneur will die because they are too late to realize the change,
slow to make decisions, and very left behind in acting. Not only is the momentum of profits late, it can also be a loss suffered.

The irony is that many businesses on a large scale lose a lot, because some of the members are employees or have employee mentality. The key lies in leadership in managing business activities. Entrepreneurial spirit must be possessed by the founders of SMEs, the spirit must be transmitted to all members, colleagues, consumers, so that the company can survive and grow. Of course transmitting the spirit of entrepreneurship on a small scale is much easier than large scale.

The SME sector has been known to be very resilient and has become a driving force for the economy of the Southeast Asian region including Indonesia and Malaysia. Even though it has made a big contribution, there are still many opportunities that can be utilized correctly by SMEs. Unfortunately, the fashion SME sector in Indonesia is still unaware and facing various limitations to develop further in digital technology. Indonesia is indeed more creative in terms of products, but when compared with the mastery of technology and digital effectiveness in Malaysian SMEs one step is superior.

SMEs Malaysia is able to optimize productivity as well as creativity in accessing the use of working capital. Financing is often regarded as the primary need of SMEs, especially for aspects of production and marketing. Some Malaysian SMEs are able to answer these problems through promotional activities through social media or websites with interesting creator content. Malaysian SMEs are able to identify markets thanks to their expertise in mastering digital technology. Personally leadership skills of Malaysian SMEs further support the establishment of the ability of Digital Leadership Capability compared to SMEs in Indonesia.

Both Malaysian and Indonesian SMEs have a goal to increase production and expand marketing, but there are three key points that must be considered in developing SME Fashion: (1) SME support does not lie in financing, but also must include marketing and operational provisions. Government support must collaborate with private entrepreneurs and the community (2) Productivity supported by digital creativity will be able to map the location of product excellence and branding so that it becomes the main element of marketing (3) SMEs must have independence to develop digital management systems, product innovation, and leadership to sustain their business.

To be productive, promotional activities and the use of applications must be effective and efficient. Productivity does not mean as much digital promotion as possible, but is an effectiveness that is added by efficiency. Productivity is an added value for SMEs, meaning that the higher the productivity, the higher the added value of these SMEs. In this productivity, everything needs to be done effectively in order to achieve the goals correctly. In addition, all efforts need to be realized in an efficient manner through optimal use of resources. While creativity rises from ideas that can be implemented. The idea without implementation is not true creativity, as well as implementation without being supported by new and unique ideas will also be in vain. Many SMEs market products in a talkative manner, using all media resources, both digital and conventional so that it becomes a form of marketing that is not useful. The ideal situation is when very many ideas meet with the accuracy of implementation.
Products that are marketed are in accordance with business opportunities by considering and taking risks.

SMEs in the digital era also don't forget the offline channels, the combination between offline and online will grow the business and strengthen each other. In addition, the leadership style in doing business greatly influences sales. It needs its own promotional style in selling products. By implementing various marketing strategies, SMEs must be able to develop leadership by increasing productivity, spurring creativity, and honing entrepreneurship so the skills are implemented into target-oriented capabilities.

Based on Weizi et al. (2017) that e-leadership in strategic alignment theory, this provides a theoretical foundation on how SMEs can utilize digital technology to support their business strategies that enable sustainable growth. The resulting diagnostic model allows SME decision makers to practice e-leadership effectively by creating productive harmony between business strategies and digital technology that increases longevity and business growth prospects.

Based on Crammond et al. (2017) that managing knowledge through Social Media Usage (SMU) shows that the relationship between SMU, can increase intensity and through this technology platform is an easy way to get consumer "feedback" on the product service. High school has an impact on aspirations and SMEs can display significant profiles and perspectives and contribute to the core values of Contemporary Management in managing information with progressive models that introduce contemporary SME quality such as planting entrepreneurial culture, decentralizing leadership and encouraging socially responsive activities and entrepreneurship. Therefore this study is in line that leadership skills in understanding social media usage can be one of factors for supporting Digital Leadership Capability.

**Digital Marketing versus Competitiveness**

Advertising is a form of promotion and promotion is one of the most important elements of the marketing mix. The purpose of advertising is to maintain the process of communication with customers, where customers get information regarding products both characteristics, prices and quality. Currently promotion through the internet is very helpful and need to use available tools and innovations in order to be able to carry out promotion and service strategies which will result a competitive advantage and business success.

The digitalization development is so fast with the enactment of the industrial revolution 4.0, this requires SMEs to be able to make this change an opportunity in carrying out business operations, one of which is promotion. If it does not respond to this digital transformation, it can be said that the SME actors left behind unable to compete with competitors. Therefore many SMEs have done digital marketing as a form of responding to the opportunities that exist and running a competitive strategy in the business which is currently highly demanded to apply digital technology to the business.

Based on the results of the analysis, Digital Marketing affect to Competitiveness. The coefficients of 0.546 and 0.619, while t-test of 6.920 and 9.258 are sufficient to reflect the fashion SMEs in Indonesia and Malaysia that promotion through digital platforms has a close relationship with the competitiveness of their products. This result is in line with Mansyur's research,
Amin et al. (2017) Market orientation has a positive and significant effect on product competitiveness, meaning that if SME are market oriented, they will increase product competitiveness. So if a business actor runs an online business according to the current online market situation, it will have an impact on product competitiveness.

Based on Hendika Wibowo, Dimas et al. (2015) The promotion of Diajeng Solo Batik starts with creating a brand that associates excellence and promotion through internet marketing (through websites and social media) that the marketing strategy undertaken by Batik Diajeng Solo has been quite effective in marketing its products, as evidenced by the increase in the number sales, in other words that promotion successfully making these batik products have competitiveness from other products.

Based on Wardhana, Aditya (2015) Digital marketing strategies affect competitive advantage by 78% while the remaining 22% is explained by other variables that are not examined in this study such as capital, resource supply, and managerial professionalism. Optimizing the use of social media and websites needs to be done considering there are still shortcomings on the website and social media used by SMEs such as less informative, less interactive, and less updated. Digital marketing strategies affect to competitive advantages such as ease of product search, availability of special offers, ability to identify and attract new customers, availability of product information and provide product guidance for consumers, ability to create brand visibility and awareness, ability to strengthen brand image received by consumers, availability display of testimonials, availability of up-to-date information through sms-blogs, availability of service assistance to consumers, availability of online communication with entrepreneurs, availability of online opinion support, availability of supporting images needed such as photographs or product illustrations, availability of video displays capable of visualizing products or supporting presentations, availability of transaction tools and variations in payment media, and availability of visitor records.

**Managerial Implications**

SMEs have contributed to the country's economic progress and ASEAN. This is evident that SMEs can absorb many labors and contribute to Gross Domestic Product. This study explained the characteristics of business actors both SMEs in Indonesia and in Malaysia. The majority of business people are dominated by productive age and educational background in Diploma and Bachelor, so that SMEs are expected to be able to quickly adapt in the digital era at this time in order to capture opportunities for the progress of their business.

In this study, Digital Attitude and Leadership Skill variables have a significant effect on Digital Leadership Capability, which means that individual abilities become a benchmark in improving capability in running a business, which means if SMEs have workers who have digital skills and attitudes, digital opportunities with capability or professionals will be able to quickly materized to compete in digital media because they have digital competence. This is also supported by the results in this study that digital culture influences digital marketing, which means that when the personal in worker of SMEs are
acquainted to running a digital work culture it will affect digital marketing or they will be able to work into a digital work culture and support in the promotion output. If SMEs have competency and is accustomed to working with digital culture, it will affect competitiveness. Based on the result in this study, their ability of value still be low, so that several strategies are needed in personal aspect, SME strategies and cooperation with Government, private sector, and stakeholders

Therefore, there needs an improvement or evaluation toward strategies from SMEs and SME’s digitalization program from the Government and professional collaboration from private digital actors to realize the acceleration of IT adaptation that have entered into the industrial revolution era 4.0. One of solutions is to have an incubator in order to accelerate digital business for SMEs, an online integration system related to distribution or information, government regulations or programs relating to private so that SMEs can collaborate and not only become an object in a government policy or regulation but also participate in making policy.

The program that will be a problem solver for SMEs is a continuous and directed program, for example training in digital from medium to advanced level in digital creator content. This kind of program is expected by SMEs. In addition, it also need regulation to support, for example, the help of field technicians and free registration financing programs to manage business legality, for example CV and other certifications. In addition, IT assistance programs are held such as Marketing Online training such as SEO, Email Marketing, and Maximizing Marketing through Social Media. The existence of a Cooperation Program

5 CONCLUSION AND RECOMMENDATIONS

Conclusion

Based on the results of the research that has been obtained, it can be concluded that:

1. Characteristics of SMEs in Indonesia and Malaysia are almost the same not too different but there have some differences, namely the majority of female in Indonesian SMEs is about 58% while Malaysian SMEs are dominated by men approximately 75%. The age of respondents from both is majority in category 26 - 35 years old with 67% in Indonesia and 75% in Malaysia. The highest educational background is Diploma and Bachelor level as much as 50% in Indonesia and 62.7% in Malaysia. SMEs have been running their businesses online for 1-5 years with a percentage of 74% in Indonesia and 62% in Malaysia. Based on the number of workers, the majority of respondents is in categories 1 - 4 with 43% in Indonesia and 24% in Malaysia.

2. Digital Attitude Variables and Leadership Skill show a significant effect on Digital Leadership Capability where an employee will have capability if supported by the HR attitudes and skills. Digital Culture show a significant
effect on Digital Marketing where each employee's cultural dimensions support in implementing Digital Marketing. Digital Marketing has a significant effect on Competitiveness based on data from respondents from Indonesia and Malaysia. However, there are differences in Malaysian respondents' data, namely the Digital Leadership Capability variable has a significant effect on Competitiveness, so it can be concluded that Malaysian SME respondents in a technological mastery capability are one step ahead than respondents in Indonesia.

3. The results of SEM PLS analysis concluded that Digital Culture show a direct effect on Digital Marketing while Leadership Skill and Digital Attitude indirectly affect Digital Marketing or they will influence through the establishment of Digital Leadership Capability and then affect Digital Marketing.

**Recommendation**

Based on the research conclusions, the following suggestions were conveyed:

1. The results of this study are expected to be used as consideration for management and SMEs, that in order to increase competitiveness, the right Digital Marketing strategy, more selective selection of social media, and creative content are the spearheads of marketing communication.

2. To improve the ability of SME in digital marketing through the use of social media, web and marketplace at a better level of capability, it is expected that stakeholders will make sustainable workshop programs or training for SMEs like creator marketing content writing skills and skills in the use of various promotional strategy applications through social media and other digital platforms.

3. Malaysian SMEs are expected to focus on training on improving Digital Capability through training in making Web and other digital platforms while Indonesian SMEs are expected to focus more on improving mastery of Digital Marketing, especially the use of social media.
REFERENCES


Gilmore, Audrey., Gallagher, Damian & Henry, Scott. 2007. *E-marketing and


Rudito, Priyantono dan Sinaga, Mardi FN. 2017. Digital Mastery. Jakarta (ID) : Gramedia


Teresa, Maria. Jose Manuel. 2014. Digital marketing and social media : Why bother?. Kelley School of Business, Indiana University. Published by Elsevier Inc. All rights reserved. http://dx.doi.org/10.1016/j.bushor.2014.07.002. [internet] [accessed 2018 February 5th]


APPENDICES
Appendix 1. Validity and Reliability (Indonesia)

1. Loading Factor Value (Coefficient Path)

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>DC</th>
<th>DLC</th>
<th>DS</th>
<th>LS</th>
<th>MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.542</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.136</td>
</tr>
<tr>
<td>DC</td>
<td>-0.143</td>
<td>0.124</td>
<td></td>
<td></td>
<td></td>
<td>0.297</td>
</tr>
<tr>
<td>DLC</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.164</td>
</tr>
<tr>
<td>DS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS</td>
<td>0.293</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.224</td>
</tr>
<tr>
<td>MD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.546</td>
<td></td>
</tr>
</tbody>
</table>

2. Value of Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th>Laten</th>
<th>Average Variance Extracted (AVE)</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.730</td>
<td>Valid</td>
</tr>
<tr>
<td>DC</td>
<td>0.648</td>
<td>Valid</td>
</tr>
<tr>
<td>DLC</td>
<td>0.651</td>
<td>Valid</td>
</tr>
<tr>
<td>DS</td>
<td>0.804</td>
<td>Valid</td>
</tr>
<tr>
<td>LS</td>
<td>0.772</td>
<td>Valid</td>
</tr>
<tr>
<td>MD</td>
<td>0.686</td>
<td>Valid</td>
</tr>
</tbody>
</table>

3. Composite Reliability

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.844</td>
<td>Realible</td>
</tr>
<tr>
<td>DC</td>
<td>0.917</td>
<td>Realible</td>
</tr>
<tr>
<td>DLC</td>
<td>0.849</td>
<td>Realible</td>
</tr>
<tr>
<td>DS</td>
<td>0.891</td>
<td>Realible</td>
</tr>
<tr>
<td>LS</td>
<td>0.872</td>
<td>Realible</td>
</tr>
<tr>
<td>MD</td>
<td>0.868</td>
<td>Realible</td>
</tr>
</tbody>
</table>

4. R Square

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLC</td>
<td>0.460</td>
<td>0.443</td>
</tr>
<tr>
<td>DS</td>
<td>0.377</td>
<td>0.365</td>
</tr>
<tr>
<td>MD</td>
<td>0.453</td>
<td>0.430</td>
</tr>
</tbody>
</table>
5. F Square

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>DC</th>
<th>DLC</th>
<th>DS</th>
<th>LS</th>
<th>MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td></td>
<td>0.335</td>
<td></td>
<td></td>
<td>0.016</td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td></td>
<td>0.019</td>
<td></td>
<td></td>
<td>0.081</td>
<td></td>
</tr>
<tr>
<td>DLC</td>
<td></td>
<td></td>
<td>0.019</td>
<td></td>
<td>0.027</td>
<td></td>
</tr>
<tr>
<td>DS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS</td>
<td></td>
<td>0.067</td>
<td></td>
<td></td>
<td>0.036</td>
<td></td>
</tr>
<tr>
<td>MD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.375</td>
</tr>
</tbody>
</table>

6. Output Results Correlation between Indicators and Constructions

<table>
<thead>
<tr>
<th></th>
<th>DC</th>
<th>DA</th>
<th>LS</th>
<th>DLS</th>
<th>MD</th>
<th>DS</th>
</tr>
</thead>
<tbody>
<tr>
<td>ANT</td>
<td></td>
<td>0.788</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRT</td>
<td></td>
<td>0.789</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP</td>
<td></td>
<td>0.816</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INV</td>
<td></td>
<td>0.799</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET</td>
<td></td>
<td>0.781</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OM</td>
<td></td>
<td>0.857</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEX</td>
<td></td>
<td></td>
<td>0.825</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td></td>
<td></td>
<td></td>
<td>0.883</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.875</td>
<td></td>
</tr>
<tr>
<td>VLD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.883</td>
</tr>
<tr>
<td>DET</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.822</td>
</tr>
<tr>
<td>DVS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.787</td>
</tr>
<tr>
<td>TCL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.811</td>
</tr>
<tr>
<td>SEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.818</td>
</tr>
<tr>
<td>SMD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.829</td>
</tr>
<tr>
<td>WEB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.838</td>
</tr>
<tr>
<td>GOT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.900</td>
</tr>
<tr>
<td>IP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.893</td>
</tr>
</tbody>
</table>
Appendix 2 Validity and Reliability (Malaysia)

1. Loading Factor Value (Coefficient Path)

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>DC</th>
<th>DLC</th>
<th>DS</th>
<th>LS</th>
<th>MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.364</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td></td>
<td>0.054</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DLC</td>
<td></td>
<td></td>
<td>0.244</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DS</td>
<td></td>
<td></td>
<td></td>
<td>0.124</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS</td>
<td>0.451</td>
<td></td>
<td></td>
<td></td>
<td>0.003</td>
<td></td>
</tr>
<tr>
<td>MD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.619</td>
</tr>
</tbody>
</table>

2. Value of Average Variance Extracted (AVE)

<table>
<thead>
<tr>
<th>Laten</th>
<th>Average Variance Extracted (AVE)</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.772</td>
<td>Valid</td>
</tr>
<tr>
<td>DC</td>
<td>0.628</td>
<td>Valid</td>
</tr>
<tr>
<td>DLC</td>
<td>0.776</td>
<td>Valid</td>
</tr>
<tr>
<td>DS</td>
<td>0.768</td>
<td>Valid</td>
</tr>
<tr>
<td>LS</td>
<td>0.802</td>
<td>Valid</td>
</tr>
<tr>
<td>MD</td>
<td>0.682</td>
<td>Valid</td>
</tr>
</tbody>
</table>

3. Composite Reliability

<table>
<thead>
<tr>
<th></th>
<th>Composite Reliability</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.871</td>
<td>Realible</td>
</tr>
<tr>
<td>DC</td>
<td>0.922</td>
<td>Realible</td>
</tr>
<tr>
<td>DLC</td>
<td>0.912</td>
<td>Realible</td>
</tr>
<tr>
<td>DS</td>
<td>0.908</td>
<td>Realible</td>
</tr>
<tr>
<td>LS</td>
<td>0.890</td>
<td>Realible</td>
</tr>
<tr>
<td>MD</td>
<td>0.896</td>
<td>Realible</td>
</tr>
</tbody>
</table>

4. R Square

<table>
<thead>
<tr>
<th></th>
<th>R Square</th>
<th>R Square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td>DLC</td>
<td>0.623</td>
<td>0.613</td>
</tr>
<tr>
<td>DS</td>
<td>0.606</td>
<td>0.598</td>
</tr>
<tr>
<td>MD</td>
<td>0.438</td>
<td>0.416</td>
</tr>
</tbody>
</table>
### 5. F Square

<table>
<thead>
<tr>
<th></th>
<th>DA</th>
<th>DC</th>
<th>DLC</th>
<th>DS</th>
<th>LS</th>
<th>MD</th>
</tr>
</thead>
<tbody>
<tr>
<td>DA</td>
<td>0.170</td>
<td></td>
<td></td>
<td></td>
<td>0.083</td>
<td></td>
</tr>
<tr>
<td>DC</td>
<td>0.003</td>
<td></td>
<td></td>
<td></td>
<td>0.058</td>
<td></td>
</tr>
<tr>
<td>DLC</td>
<td></td>
<td></td>
<td>0.107</td>
<td></td>
<td>0.010</td>
<td></td>
</tr>
<tr>
<td>DS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LS</td>
<td></td>
<td>0.211</td>
<td></td>
<td></td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>MD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.690</td>
<td></td>
</tr>
</tbody>
</table>

### 6. Output Results Correlation between Indicators and Constructions

<table>
<thead>
<tr>
<th></th>
<th>DC</th>
<th>DA</th>
<th>LS</th>
<th>DLS</th>
<th>MD</th>
<th>DS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGL</td>
<td>0.823</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ANT</td>
<td>0.750</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CRT</td>
<td>0.805</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EXP</td>
<td>0.795</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INV</td>
<td>0.831</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NET</td>
<td>0.761</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OM</td>
<td>0.776</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DEX</td>
<td></td>
<td>0.903</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DK</td>
<td></td>
<td>0.854</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TDL</td>
<td></td>
<td></td>
<td>0.873</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VLD</td>
<td></td>
<td></td>
<td></td>
<td>0.917</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DET</td>
<td></td>
<td></td>
<td></td>
<td>0.893</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DVS</td>
<td></td>
<td></td>
<td></td>
<td>0.876</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TCL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.874</td>
<td></td>
</tr>
<tr>
<td>SEM</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.834</td>
</tr>
<tr>
<td>SMD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.806</td>
<td></td>
</tr>
<tr>
<td>WEB</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.846</td>
</tr>
<tr>
<td>GOT</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.919</td>
</tr>
<tr>
<td>IP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.912</td>
</tr>
<tr>
<td>DCV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.972</td>
</tr>
</tbody>
</table>
The author named Dadang Firmansyah was born in Subang, May 15, 1988, he is child from Mr. Ade Tarhim and Mrs. Eti. The level of education pursued by the author consists of SD Negeri 1 Cipeundeuy in 2001, SMPN 1 Cipeundeuy in 2004, SMAN 1 Cipeundeuy in 2007. In 2009 the author continued his education in a bachelor program at Djuanda University Bogor, majoring in Agribusiness through an agricultural scholarship from the West Java Government and graduated in 2013. The author continued his education in Management Science, Faculty of Economics and Management, Graduate School of the Bogor Agricultural University in 2016 through the Indonesian Education Scholarship (BPI) regular program from the Indonesian Ministry of Finance Lembaga Pengelola dana Pendidikan (LPDP) in 2016 - 2018.

The author during his active lectures in various organizations, namely the IPB Postgraduate Forum 2016 - 2017, Awardee IPB community 2016 - 2017, BEM KM Djuanda Bogor of University as the socio-cultural minister, as Chairperson of the Volunteer Corps 2011 – 2013 Djuanda Bogor of University and the author is also active as a tourism ambassador, namely Paguyuban Mojang Jajaka Subang 2011 – 2015.