

# 40. The Impact of Digital Marketing on Rural Products

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**Submission date:** 20-Oct-2022 12:20PM (UTC+0700)

**Submission ID:** 1930337200

**File name:** 40.\_The\_Impact\_of\_Digital\_Marketing\_on\_Rural\_Products.pdf (199.46K)

**Word count:** 3152

**Character count:** 17796

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# THE IMPACT OF DIGITAL MARKETING ON RURAL PRODUCTS: A CASE STUDY IN SUMBANG, INDONESIA

Case  
Study

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## Keywords

Digital Marketing;  
Rural Product;  
BUM Des

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## JEL Classification

I30, M31

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## Abstract

This paper focuses on the potential of the plantbased production in Sumbanga, a region located in Banyumas, Indonesia. A lot of villagers in Sumbang are plant growers, making Sumbang a place with great potential for plant-based production. However, villagers do not take advantage of this reality and the study highlights the main problem encountered: villagers are not aware of the potential their rural area has. The research uses action research methodology, which combines doing research, taking action and making the necessary changes after profound critical reflection on the consequences of the envisaged measures. This paper examines the potential of the area and analyses the findings of the focus group discussions with several parties (rural authorities, rural public figures, managers of the village owned companies etc.) with a view to devising the action strategy for implementing the digital marketing policy. Following the introduction of the digital marketing strategies the research also focuses on the impact social media may have on the sales of rural products.

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## INTRODUCTION

The Village Law, UU (Undang-Undang, the Republic of Indonesia), no. 6 of 2014 focused on the village development in Indonesia. Village development is based on improving the quality of life in rural communities (Permendagri 114 of 2014). The data from the Central Statistics Agency (BPS) shows that in 2011, poverty prevailed in villages (63.21% of the poor lived in villages) as compared to 36.79% of the poor in urban areas (www.bps.go.id). Villages are far from prosperous. According to Swasono (2009), the best and most effective way to overcome poverty is to eradicate unemployment. Unemployment can be eradicated by improving the conditions of the poor and unemployed. Unemployment was initially a liability but it can be converted into productive assets that contribute to the added value of the state. Such a transformation is only possible by empowering rural communities. According to Permendagri 114 of 2014 the empowerment of rural communities through policies, programmes, activities and mentoring paves the way to the independence and welfare of these communities. It is accompanied by an increase in villagers' knowledge, attitudes, skills, behavior, abilities, awareness and use of resources. One programme that is expected to build rural communities that are economically independent centres on setting up Village-Owned Enterprises (BUM Desa). BUM Desa is a business programme stating that the Village owns all or most of its capital from all the village assets; they are managed separately for the maximum benefit of the village community (Permendes No. 4 of 2015).

BUM Desa is one of the pillars meant to create an independent, empowered and prosperous village by the mandate of the Village Law. BUM Desa is one of the solutions to alleviate poverty in rural areas. BUM Desa could be a mediator with a common vision, collecting social capital in one organization (Rahajuni, Badriah and Rafitah, 2019). The establishment of BUM Desa is crucial because it ensures the economic independence of the village in the future. If it is not planned correctly, BUM Desa may become an unproductive institution and cannot sustain the village independence in the future. BUM Desa could be an organization that helps several parties to empower rural areas. Villagers, rural government, trainers and other parties should collaborate to empower rural areas (Rafinda and Gál, 2019).

A series of good planning stages is needed to set up an agency/institution. In the case of BUM Desa, this planning stage can start from the economic potential of the region. Such a map of the economic potential of the region was created by BAPERMAS. The map aims to capture the economic potential that exists in the area.

Unfortunately when establishing a business, the maps of the economic potential are sometimes not from primary sources. Most Indonesian people rely more on instinct than on facts and figures in setting up and running their businesses.

The digital revolution shook the way marketing works (i.e. customer price transparency -Wind and Mahajan, 2002).

Digital marketing is one of the main breakthroughs in marketing engineering at this time. Digital marketing marks a significant evolution in e-commerce environment (Wang and Tang, 2003). The high utilization of technology enables marketing science to meet the challenges generated by the changes brought about by the unprecedented development of technologies. The higher public access to the digital world makes marketing shift from conventional to digital means. Marketing which used conventional media such as pamphlets, leaflets and newspaper advertisements does no longer attract public attention. Nowadays digital marketing promotes consumer products or services in attractive ways appealing to our senses (McQuade, Waitman, Zeisser, and Kierzkowski, 1996). Online marketing media such as social media and websites are currently used by companies and institutions to attract the attention of digital communities. Convenience and low prices are two very promising factors which may act as incentives to institutions to utilize digital media as a marketing tool. Adolescents' avid use of social media makes them the main target of online marketing media (Chester and Montgomery, 2008). The introduction of digital marketing to villagers and village authorities is expected to have significant impact. There is hope that both natural and human resources owned by the village will get beneficial exposure to the digital world. Villagers' easy access to information is expected to have significant effects namely: 1) involvement in energy assistance programmes and increase in funds for village development, 2) increased sales of village products and 3) increase in the number of tourists and as result increased income from tourism.

However, there are certain obstacles to utilizing BUM Desa as a prosperous independent village catalyst. Thus, villagers do not know the size of the market share provided by BUM Desa for their business. This research helps BUM Desa to promote their business through a digital platform. This research could contribute to increasing the BUM Desa revenue and then by introducing digital marketing in their business villagers could improve their rural community revenue.

BUM Desa as an economic and social institution aims to improve the welfare of rural communities and foster the social capital of rural communities (Hamzah, 2015). By improving the welfare of rural communities villagers will benefit from increased

income, reduced unemployment, poverty alleviation and reduced inequality between villages. Therefore, BUM Desa must be managed by competent and professional human resources and fulfill cooperative, participatory and emancipative BUM Desa management principles.

The formation of BUM Desa cannot be done carelessly it must be accompanied by careful planning and analysis. This research is urgent because in the future rural independence, especially economically, is determined by the village income, the sources of which partly come from BUM Desa. If the BUM Desa programme is not able to encourage the economic development of the village, the village independence will be difficult to achieve. This research can act as a catalyst for the village to develop the BUM Desa programme. The implementation of the BUM Desa programme in Sumbang has to be carried out immediately. This research aims at: 1) enabling villagers to identify the economic potential of the village through the BUM Desa programme and 2) promoting the village businesses through digital marketing.

## LITERATURE REVIEW

UU No. 6 of 2014 is a legal community unit with a territorial boundary that is authorized to regulate and manage government affairs, the interests of the local community based on community initiatives, the rights of traditional origin and / or rights recognized and respected in the government system of the Republic of Indonesia (NKRI). The minister of Villages, Development of Disadvantaged Regions and Transmigration, Marwan Jafar, said the village is currently an independent community and has a vital role in the country (liputan6.com).

According to McKnight apud Osborne and Gaebler (1992), pushing the ownership of service out of the community and submitting it to a higher level of bureaucracy will weaken the community and will damage the society. McKnight argues that communities better understand the problems they face; not only does the community provide 'services' but also solves problems; the community is more flexible and creative than the bloated bureaucracy. With these advantages, the village as a community is believed to be a driving force for national development in Indonesia.

According to Permendagri 114 of 2014, the village development improves the quality of life and brings about prosperity in rural communities. The village development is participatory, meaning that the village development is coordinated and managed by strategies promoting togetherness, kinship and cooperation, which will result in peace and social justice. In addition, the empowerment of the village community is also a must. The empowerment of rural communities according to Permendagri 114 of

2014 will help develop and consolidate the independence and welfare of the community. New policies, programmes, activities and mentoring meant to meet villagers' needs will enhance villagers' knowledge, attitudes, skills, behaviors, abilities, awareness and use of resources.

Law No. 6 of 2014 concerning Villages was ratified on January 15, 2014 and implemented in 2014. This Act regulates important issues such as the Principles of Regulations, Position and Type of Villages, Village Arrangement, Village Authority, Implementation of Village Governance, Rights and Obligations Village and Community Villages, Village Regulations, Village Finance and Village Assets, Village Development and Rural Area Development, Village Owned Enterprises, Village Cooperation, Village Community Institutions and Village Customary Institutions, and Guidance and Supervision. Besides, this Act also regulates special provisions that only apply to Traditional Villages.

Village leaders will be encouraged and supported to immediately ratify village regulations for the establishment of BUM Desa programme in their villages. The village regulations will act as a basis for the implementation of the BUM Desa programme. The village regulations are used as a legal umbrella supporting the BUM Desa programme and its various activities. Capacity building is a process that is carried out to improve one's ability, organization or a system that is formed by humans to achieve specific goals (Brown, 2001). Capacity building is needed to enhance the ability of human resources to be able to solve the problems they face. One's analysis process can increase when given specific training. It is expected that by increasing the capacity of human resources in the village villagers' skills will improve such as 1) problem identification, 2) identification of needs, 3) opportunity identification, 4) problem-solving strategies and 5) capturing opportunities that have not been exploited before.

According to Coviello & Munro (1995), digital marketing is the use of the Internet and the use of other interactive technologies to create and connect dialogues between companies and consumers that have been identified. They also argue that e-marketing is part of e-commerce.

According to Sanjaya & Tarigan (2009), digital marketing is a marketing activity that includes branding that uses various web-based media such as blogs, websites, e-mails, and words, or social networks.

The concept of digital marketing is the use of digital media to introduce a product to consumers through the Internet, radio, television, mobile phones, etc. Products here vary. The products referred to here are goods or services offered by producers to consumers. There are three concepts



of digital marketing, namely content marketing, search engine marketing and social media strategy. Content marketing is a way of reaching, establishing relationships and maintaining customers through content that is based on customer interests. Search engine marketing (SEM) is a way to find product information through search engines or search engines by typing words or products to be purchased. While social media strategy is a way to market products through social media, such as blogs, Facebook, Twitter, and others.

The use of digital marketing could increase the probability of the consumer to find out about the existence of the BUM Des programme in Sumbang. Knowing the product (BUM Des) is the first step to get to the customers. The next step relies on the digital promotion that could raise customers' interest in the product or service provided by the BUM Desa programme. This way of thinking lies at the foundation of the hypothesis: digital marketing practice could improve the BUM Des Revenue in Sumbang.

## RESEARCH METHOD

### Population and Research Sample

The target population of this study were the villagers in Sumbang district. The samples were analyzed by applying the purposive sampling method. Purposive sampling (also known as judgment, selective or subjective sampling) is a sampling technique in which researcher relies on their own judgment when choosing members of population to participate in the study. Purposive sampling was carried out with a view to identifying the potential and analyzing the probability of village-enterprise development. There are 19 villages in Sumbang; one village was selected according to its potential and its BUM Desa manager who had a strong desire to develop this potential.

### Preparation and Data Collection

Before data collection is carried out, researchers conduct procedures in the preparation of research instruments to explore the economic potential of the village in Banyumas district. The preparation of research instruments was conducted by holding a focus group discussion (FGD). The FGD was carried out by inviting BUM Desa activists, village representatives, subdistrict representatives and the representatives from the BAPERMAS village development section in Banyumas District. The FGD was conducted to explore current issues regarding the impact of digital marketing on BUM Desa in Banyumas District. The FGD identified some problems: 1) several problems that make the BUM Desa cannot generate revenue, 2) main and

alternative solutions to increase the BUM Des revenue.

Based on the results of the FGD, this research focused on BUM Desa plant growers in Sumbang. The BUM Desa plant growers had different ways to promote themselves on the digital platform. The research team used interactive media social to improve customer engagement. By using digital marketing the relationship with customer became one of the factors which contributed to the success of the businesses (Tiago and Veríssimo, 2014). The selected businesses were located in Sumbang subdistrict. The research team collected the data before and after the treatment. The time frame was 90 days before and after treatment. The treatment lasted 30 days and consisted of promoting each business digitally (social media directly, digital advertisement and online video promotion) for 30 days. Then the research team examined the effect of the digital marketing to BUM Des revenue. The summary of the results is shown in Table no. 1.

### Data Analyze and Result

The difference T-Test was examined to identify the difference between pre and post treatment. The result of the T-test shows that there is significant difference of the income between pre and post promotion as explained in Table 2.

The experience demonstrated the effect of the digital marketing on the number of customers who used the product/services. It also supported the idea that the BUM Desa programme could improve the facilities in order to maintain and even increase customer retention. The villagers' desire to improve those facilities synchronized with the research team's vision whose suggestions were often adopted. The improvement of the products achieved within the BUM Dess programme also had a positive impact.

## IMPLICATION

The research highlighted the need for continuous improvement in strategies, facilities and quality of the products in order to maintain customers. Digital marketing only helps to attract customers' attention to come and enjoy the product or services. The quality of the product or services makes them regular customers. As customers behave differently in the digital era, they will easily turn to other sellers when their expectations are not met (Chaffey, Smith, and Smith, 2013). If producers continuously improve the quality of the product then customers will get back and buy the product or services.

### Acknowledgements

This work was fully supported and funded By Universitas Jenderal Soedirman Indonesia Research Grant 2019.

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## TABLES

Table No. 1  
**The results of Pre-test and Post-Test**

	PRE-ANALYSIS (90 DAYS)	TREATMENT MONTH (30 DAYS)	POST-ANALYSIS (90 DAYS)
<b>PLANT GROWER BUM DESA</b>	Min : 127.600 Max : 517.600 Ave : 310.754	Min : 251.200 Max : 1.495.100 Ave : 955.431	Min : 329.900 Max : 2.509.600 Ave : 1.418.608

Table No. 2  
**T-Test Result: Two-Sample Assuming Unequal Variances**

	Pre-Analysis	Post-Analysis
Mean	310.754,44	1.418.607,78
Variance	14.451.745.633,96	391.704.562.747,82
Observations	90,00	90,00
Hypothesized Mean Difference	-	
df	96,00	
t Stat	(16,49)	
P(T<=t) one-tail	0,00	
t Critical one-tail	1,66	
P(T<=t) two-tail	0,00	
t Critical two-tail	1,98	
t Critical one-tail	1,65	
P(T<=t) two-tail	0,00	
t Critical two-tail	1,97	

# 40. The Impact of Digital Marketing on Rural Products

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