



# Implications of IT Awareness and Digital Marketing to Product Distribution on the Performance of Makassar SMEs

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## Abstract

**Purpose:** SMEs are one of the largest contributors to GDP for Indonesia. This study aims to investigate the effect of IT awareness and digital marketing on the performance of SMEs in the city of Makassar through product distribution. **Research design, data, and methodology:** IT Awareness and Digital Marketing are independent variables in this study, while Product Distribution is an intervening variable in viewing the performance of SMEs in Makassar City. The data is processed using Smart-PLS. The samples used were 381 business units operating in the city of Makassar. **Results:** From this study it was found that IT Awareness and Digital Marketing had a significant and positive effect on the distribution of products from SMEs in the city of Makassar. However, IT Awareness and Digital Marketing do not directly affect the performance of SMEs in the city of Makassar. So it can be concluded that both IT Awareness and Digital Marketing only affect the performance of SMEs in Makassar City through Product Distribution, not directly. **Conclusions:** From this study it can be concluded that SMEs in the city of Makassar should start increasing their IT awareness and use digital marketing to increase their product distribution to improve the performance of their SMEs.

**Keywords:** IT Awareness, Digital Marketing, Product Distribution, SME Performance, Makassar City

**JEL Classification Code:** O2, 03, M31, M21

## 1. Introduction

The Indonesian economy is supported by several important aspects. One of the supporting aspects is the Small and Medium Enterprises (SME) sector. As quoted by (Halik et al., 2021), currently there are 64 million Micro, Small to Medium Enterprises in Indonesia. Indonesia's Micro, Small to Medium Enterprises (MSMEs) contributes greatly to the gross domestic product (GDP). Indonesian SMEs

contributed up to Rp. 8,573.9 trillion to Indonesia's GDP (at current prices) in 2018. Indonesia's GDP in 2018 was Rp. 14,838.3 trillion, so the contribution of MSMEs reached 57.8% of GDP. In addition, SMEs employ as many as 116,978,631 people or reach 97% of the total Indonesian workforce (MSMEs and Large Units). Until now, there are 64,194,057 Indonesian MSMEs or 99.99% of the total business units in Indonesia. Support economic growth in Indonesia, the Indonesian government can do this by

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supporting the growth and development of MSMEs. Makassar as one of the big cities is the capital of the province of South Sulawesi and can be categorized as one of the cities with the best GDP in Indonesia. For MSMEs in the city of Makassar itself, until 2019 there were 10,813 business units (the Makassar City Office of Cooperatives and SMEs). In the province of South Sulawesi itself, data on SMEs recorded at the Office of Cooperatives and SMEs totaled 188,260 business units.

Technological evolution in recent years has spurred the marketing movement toward the digitalization era. Marketing has reached a point in its evolution where adapting to digital trends is a must. The advent of digital technology has significantly changed human life and added a new dimension to consumer behavior. Business people and consumers are indirectly required to understand and be responsive to technology. Or, in other words, they are required to have awareness of information technology, or so-called Information Technology Awareness (IT Awareness). The development of technology and marketing in the digital era, both directly and indirectly, will of course affect consumer behavior and the position of the product itself in determining their purchasing decisions for a product distribution by the company (Xliema, 2019). This will raise awareness of the use of information technology (IT Awareness) for every company owner, especially SMEs in improving the performance of their business. Human interactions with global and local communities find new modes with the emergence of Web 2.0 technologies and the use of social media (Hajli, 2014). At this time, we have entered the Marketing 4.0 era. The convenience and connectedness provided by social media, mobile technology, and other forms of digital technology and applications promote assimilation, integration, or acculturation beyond the user's community (Yen & Dey, 2019). The most important effect of lower search costs concerning digital marketing is that it is easier to find and compare information about potential products and services than offline marketing. It is to explore that most consumers prefer to do online shopping by staying at home. Product distribution is one of the things that every company dreams of improving its performance. The company's performance, which is supported by the company's sales of the brands they have, will certainly increase with the brand distribution of consumers for the brands offered by the company. For this reason, we need to see how far the development of marketing in the digital era can increase the company's ability to increase brand distribution of the products it offers. (Sharifi, 2014) suggests that product distribution has an indirect effect on future purchase intentions. Consequently, these findings reveal a significant impact on purchase intention. This will have an impact on the performance of a

business which can be measured by the level of sales of the products and services it produces.

The characteristics of SMEs are very heterogeneous with high flexibility along with sufficient innovative entrepreneurial spirit. SMEs are of various sizes with different levels of technology with varying characteristics of services and products. During the covid-19 crisis, companies sought innovative ways to survive. They must utilize inter-business networks, select productive activities, and adjust their marketing strategies. However, in a global context, various studies highlight the advantages of social media for SME business growth. Using social media platforms, consumers can instantly connect with new products, services, and brand distribution easily (Aral et al., 2013; Aswani et al., 2018; Sawhney et al., 2000). From this perspective, it is important to investigate whether the use of social media can help SMEs towards their overall growth. Through the help of social media, SMEs can get feedback from consumers to improve their product distribution (Chatterjee & Kumar Kar, 2020). The use of social media in business activities has introduced new business models such as 'social commerce'. It is often considered as a means to have facilities for people to engage in online activities through social media for marketing prospects, to compare selling and buying issues to arrive at the right decisions (Chatterjee & Kumar Kar, 2020; Goldenberg et al., 2010). Social media is claimed to have created a bridge of connection between SMEs and potential consumers (Hosseini et al., 2019; Kafai et al., 2010).

According to (Cenamor et al., 2019), Small and Medium Enterprises have problems with a lack of competence and relevant digital skills and a lack of digital knowledge among their employees. For this reason, the authors formulate the main problem to be found in this study, namely the extent to which the level of awareness of Technology and Information plays a role and the use of aspects of Digital Marketing through Product Distribution by SMEs in improving the performance of SMEs in the city of Makassar.

## **2. Literature Review**

### **2.1. Resource Advantage Theory of Competition**

Competition Theory or what is commonly called the Resource Advantage Theory of Competition. The focus of this research is how SMEs in the city of Makassar utilize digital marketing facilities and their awareness of using Information Technology as their advantage in utilizing existing resources, to increase the advantages of their resources to improve the performance of their businesses. The resource advantage theory is an evolution of the two basic theories on which it was developed. First, the theory

put forward by Conner is that organizations are expected to be able to explain the factors that limit them and the reasons for their existence. This viewpoint is based on the resource-based theory that focuses on heterogeneous demand and moving resources. Second, the theory of competitiveness for differential advantage from Alderson.

(Hunt et al., 2006) studies argue that resource excellence can explain important strategies in organizations, including resource-based strategies, competency-based strategies, industry-based strategies, market-oriented strategies, brand equity strategies, market segmentation strategies, and relational marketing strategies. Resources referred to as resource advantages are available resources, both tangible and intangible, which in turn are produced effectively and efficiently to be offered to certain market segments. The structure and foundation of resource excellence lie in an organization's ability to innovate and differentiate through available resources. Differentiation and innovation are applied to achieve optimal advantage, where organizational excellence must be increased to learn to maintain its excellence and increase the value of its products.

These advantages will provide a better position and a higher marketplace for the organization in competition. Resource advantage is the evolution of imbalances during competitive processes, in which an organization's innovation and learning originate from its internal resources. Neither organizations nor customers have incomplete information, on which entrepreneurship, agencies, and government policies will influence economic performance. Resource advantage theory argues that the value of a resource to a firm is viewed in terms of its potential to generate competitive differentiation and/or deliver customer value that enhances performance outcomes.

## **2.2. Information Technology Awareness**

The development and widespread use of technology and internet technology has changed the way people communicate, both in their daily and professional lives (Cizmeci, 2015). The same applies to corporate businesses operating in modern (digital) conditions (Grewal et al., 2020). In a fast-paced business environment, proper analysis and accurate planning can be the key to choosing the "right" strategy for IT investments and the adoption of new technologies. (Halik et al., 2021) have shown that the best companies go beyond routine processes and digitize their abilities to differentiate themselves from their competitors. (Voramontri & Klieb, 2019) shows that the revolution in social media has led customers to new ways to obtain information about products/services. Social networks allow customers to connect and constantly discuss brands with others. They also allow customers to engage in different activities, such as blogging, chatting, or interacting with

other people. With the development of information technology, as it is today, customers can now easily express their thoughts, opinions, and perceptions to others (Xliema, 2019). This online word-of-mouth is a form in which internet users provide their opinions and ratings for various products or services. These reviews/opinions are made available to many people via the Internet (Voramontri & Klieb, 2019).

Information technology is a combination of computer technology composed of hardware and software to process and also store information and communication technology to distribute information. (Chugh et al., 2016) stated Awareness of sustainable Information and Communication Technology practices can help organizations to adopt various strategies for developing effective sustainable work practices and educating their employees. For smaller companies, it is important to provide reasonable training to educate their staff on sustainable Information and Communication Technology practices. So to be able to create a competitive advantage in this digital era, companies need to create awareness of the importance of using information technology in the company's operations going forward.

## **2.3. Digital Marketing**

Recent digital developments are changing the market, and companies are starting to adopt digital business models to deal with these developments. The business model represents "how companies create and deliver value to customers, and then convert payments received into profits" (Teece, 2010). Business model innovation affects the entire company and the way it does business (Amit & Zott, 2001) and differs from simple business process improvements in that it does not change either the source of value creation or the existing business model (Mason & Leek, 2008). Digital developments have changed the business model. The use of digital technology changes systems, structures, activities, and processes. This change occurs especially as companies digitally transform themselves. For example, companies adopting new digital channels are changing the way they go to market, which will in turn influence how they create value for their customers and how they value themselves and their partners. Digital transformation can refer to products and information about products, processes that lead to customer experience, and business platforms used for product delivery, all of which require optimization to be successful.

Digital marketing according to (Urban, 2004) is using the internet and information technology to expand and enhance traditional marketing functions. This definition concentrates on all traditional marketing. We can also state that opinions such as "interactive marketing", one-to-one marketing, and "e-marketing" are closely related to "digital

marketing". Digital marketing is a marketing activity including branding that uses various web-based media such as blogs, websites, e-mails, AdWords, or social networks. Of course, digital marketing is not just talking about internet marketing. Digital marketing is the development of digital marketing through the web, mobile phones, and gaming devices, offering new access to advertising that is not heralded and is very influential. The essence of Marketing 4.0 is recognizing the shifting role of traditional and digital marketing in building customer engagement and advocacy.

#### **2.4. Product Distribution**

Efforts to increase customer satisfaction and loyalty can also be realized if supported by the selection of a proper product distribution channel. Because distribution has a vital role in the movement of goods from producers to end consumers or end-users. (Kertajaya, 2006) suggests that distribution is an attempt to influence consumer minds with our company's offerings. Distribution is a strategy to direct customers. The distribution of the company's products is considered important because it directly affects the company's turnover which directly affects the company's performance.

#### **2.5. Performance of Small and Medium Enterprises (SMEs)**

Small and medium enterprises (SMEs) can now be said to be the foundation of a country's economy. As a group, SMEs account for 95% of the world's enterprises and absorb 60% of employment according to the latest data from the International Finance Corporation. The economic effect is usually more prominent in developing countries like Indonesia where SMEs provide as much as 99% of existing jobs according to the Ministry of Cooperatives and SMEs in 2019. In an increasingly global and digital economy, SMEs are expected to start using existing digital technology to compete. In the case of Indonesia, a country where Internet penetration reaches 64.8% of the country's total population and the average citizen owns more than one mobile phone, digital business adoption among SMEs is low only touching 9% in 2019, according to the Indonesian Ministry of Communication and Informatics. Meanwhile, if Indonesian SMEs can embrace and increase their e-business uptake, this has the potential to increase the country's annual economic growth by 2%. (Hattori et al., 1998)

Previous studies on SMEs in Indonesia have been scant and have mostly focused on barriers that impede digital business use with limited attention to other drivers influencing digital business use (Janita & Chong, 2013; Kartiwi & MacGregor, 2007). Here we want to find the influence of the four factors described above on the

performance of SMEs in Indonesia, especially in the city of Makassar. The definition of SMEs (Small and Medium Enterprises) from various works of literature has several similarities so from these opinions it can be concluded that Small and Medium Enterprises (SMEs) are companies, both legal entities and not, which have a workforce of 1-100 more people, owned by Indonesian citizens with maximum total sales of 1 billion/year.

### **3. Material and Methods**

In this study, there were four observed variables consisting of two independent variables, one intermediate variable, and one dependent variable. The independent variables in this study consist of IT Awareness and Digital Marketing. The intermediate variable consists of Product Distribution. As well as one dependent variable, namely the performance of SMEs in Makassar City. The independent variable IT Awareness (X1) is measured based on the theory put forward by (Dinev & Hu, 2007), the purpose of information technology is to solve problems, foster creativity, and increase effectiveness and efficiency in carrying out a job. So the existence of information technology makes it easier and more efficient for humans to work. The components of IT Awareness that will be measured are Knowledge of Information technology, Introduction, Ability to use, and ability to solve problems. The next independent variable is Digital Marketing (X2) referring to the theory put forward by (Young Kim & Kim, 2004) that the essence of Marketing 4.0 is recognizing the role of the transition from traditional and digital marketing in building customer engagement and advocacy. For this reason, there are 4 indicators of Digital Marketing, namely, Cost/Transaction, Interactive, Incentive Program, and Site Design. The variable between Product Distribution (Y1) refers to the theory of (Montgomery, 1975) which suggests that five principles can be used to see the effectiveness of distribution, namely place, time, form, information and accuracy. And finally, the dependent variable is the performance of SMEs in Makassar City (Y2). To measure the performance of SMEs, the authors use indicators such as research by (Halik et al., 2021), namely: sales growth increases, capital growth increases, workforce additions every year, market growth and marketing are getting better and business profit/profit growth is increasing. better. The author also adds a new indicator, namely a change or increase in the size of the business location.

Based on the theory put forward, the researcher formulated the conceptual framework of this study as follows (Figure 1):



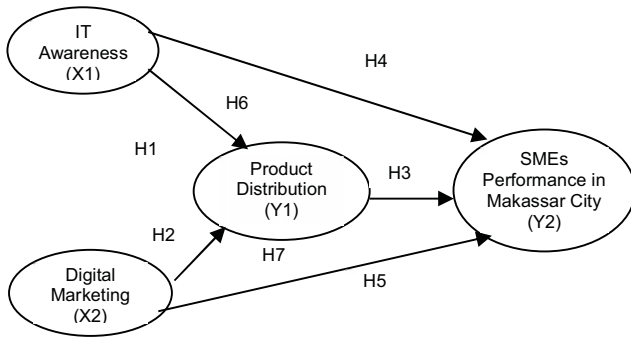


Figure 1: Research Concept Framework

Based on the formulation of the problem and the conceptual framework that has been put forward, the hypothesis put forward is as follows:

- H1:** It is suspected that IT Awareness has a significant and positive effect on Product Distribution
- H2:** It is suspected that Digital Marketing has a significant and positive effect on Product Distribution
- H3:** It is suspected that Product Distribution has a significant and positive effect on the performance of SMEs in Makassar City
- H4:** It is suspected that IT Awareness has a significant and positive effect on the performance of SMEs in Makassar City
- H5:** It is suspected that Digital Marketing has no significant and positive effect on the performance of SMEs in Makassar City
- H6:** It is suspected that IT Awareness has a significant and positive effect on the performance of SMEs in Makassar City through Product Distribution
- H7:** It is suspected that Digital Marketing has a significant and positive effect on the performance of SMEs in Makassar City through Product Distribution.

### 3.1. Population and Sample

The research location was carried out in the city of Makassar, to precise at several Small and Medium Enterprises that have been registered with gojek, Grab, ShopeeFood and others (online means of transportation) as research objects to see the influence of SME entrepreneurs' awareness of Technology and Information and using of digital marketing through product distribution in influencing the performance of SMEs in Makassar City. The population in this study are SMEs in Makassar City who have used social media and digital marketing tools to carry out their operations or support their business activities. This study takes the population purposively by determining SMEs in the city of Makassar and having used digital marketing tools in carrying out their operations and supporting their business activities. For this reason, the total population of this study

is 7,966 business units, consisting of 4,647 Small Businesses and 3,319 Medium Business units. Considering that the population is > 500, the sample is taken using the Slovin formula, and a total sample of 381 units is obtained.

### 3.2. Data Collection, Measurement, and Analytic

Data collection uses surveys by measuring data using a Likert scale (1-5) (1 = strongly disagree, 5 = strogly agree) following the Likert scale pattern. Methods of retrieving data using surveys/questionnaires.

First of all, the theoretical model that has been built in the first stage will be described in an SEM model diagram which will make it easier to see the causal relationships you want to test. In this diagram, the relationship between constructs will be expressed through arrows. Straight arrows indicate a direct causal relationship between one construct and another.

After that, the Outer Model Test was carried out. The outer model test is carried out to ensure that the measurement (measurement model) used is feasible to be used as a measurement (valid and reliable). This Outer Model analysis is to find out the relationship between latent variables and their indicators, or it can be said that the outer model defines how each indicator relates to its latent variables. Three measurement criteria are used in the data analysis technique using SmartPLS to assess the model. The three measurements are Convergent validity, Reliability, and Discriminant validity.

## 4. Result and Discussion

### 4.1. Statistical Analysis

In further data processing, the theoretical model that has been built in the first stage will be described in an SEM model diagram which will make it easier to see the causal relationships you want to test. In this diagram, the relationship between constructs will be expressed through arrows. Straight arrows indicate a direct causal relationship between one construct and another. Shown with figure 2 as follows:

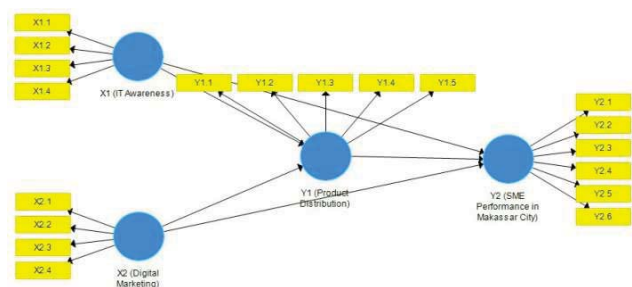


Figure 2: SEM Model Diagram

**4.1.1. Convergent Validity**

The convergent validity value is the factor loading value on the latent variable with its indicators. The convergent validity value is used to determine the validity of a construct. When using SEM-PLS with SmartPLS, the outer loading value is  $\geq 0.7$ . However, in the development of new models or indicators, factor loading values between 0.5 - 0.6 are still acceptable (Haryono, 2017).

**Table 1:** Item Validity Test Results (Convergent Validity)

Variable	Item	Outer Loading Value	Outer Loading Value Limitation	Decision
IT Awareness (X1)	Item1	0,930	0,7	Valid
	Item2	0,931	0,7	Valid
	Item3	0,935	0,7	Valid
	Item4	0,810	0,7	Valid
Digital Marketing (X2)	Item1	0,880	0,7	Valid
	Item2	0,905	0,7	Valid
	Item3	0,859	0,7	Valid
	Item4	0,824	0,7	Valid
Product Distribution (Y1)	Item1	0,830	0,7	Valid
	Item2	0,803	0,7	Valid
	Item3	0,787	0,7	Valid
	Item4	0,825	0,7	Valid
	Item5	0,901	0,7	Valid
SME performance (Y2)	Item1	0,826	0,7	Valid
	Item2	0,873	0,7	Valid
	Item3	0,763	0,7	Valid
	Item4	0,804	0,7	Valid
	Item5	0,800	0,7	Valid
	Item6	0,750	0,7	Valid

Source: Data processed with SmartPLS, 2023.

From the table above can be seen that all items with loading factor values (outer loading) are all above 0.7. So all of these items can be declared valid.

**4.1.2. Reliability Test**

Reliability test is a tool for measuring a questionnaire which is an indicator of a variable or construct. A measuring tool or instrument in the form of a questionnaire is said to be able to provide stable or constant measurement results, if the measuring instrument is reliable or reliable. Therefore, it is necessary to do a reliability test. The reliability of the research instruments in this study was tested using composite reliability and Cronbach's Alpha coefficient. According to (Haryono, 2017), the requirements used to assess reliability are Cronbach's Alpha and Composite Reliability values must be greater than 0.70 for confirmatory research and a value of 0.60 - 0.70 can still be obtained. accepted for exploratory research. Based on the reliability test of the indicators from this study, the following results were found:

**Table 2:** Reliability Test Results

Variable	Cronbach's Alpha	Composite Reliability	Reliability Limits	Decision
IT Awareness (X1)	0,924	0,946	0,700	Reliable
Digital Marketing (X2)	0,890	0,924	0,700	Reliable
Prod Distribution (Y1)	0,897	0,917	0,700	Reliable
SME performance (Y2)	0,891	0,916	0,700	Reliable

Source: Data processed with SmartPLS, 2023

The test results based on the table 2 above show that the results of composite reliability and Cronbach alpha show satisfactory values, namely the value of each variable above the value of 0.70. This shows the consistency and stability of the instruments used are high.

**4.1.3. Average Variance Extracted (AVE) Test**

For the ideal that exists in AVE, namely 0.5, this means that convergent validity is good, meaning that latent variables can explain on average more than half of the variance of the indicators. The AVE criterion for a valid variable must be above 0.50 (Haryono, 2017).

**Table 3:** Results of the Average Variance Extracted (AVE) Value Test

Variable	AVE value	AVE Value Limit	Decision
IT Awareness (X1)	0,815	0,500	Fulfilled
Digital Marketing (X2)	0,753	0,500	Fulfilled
Prod. Distribution (Y1)	0,689	0,500	Fulfilled
SME Performance (Y2)	0,646	0,500	Fulfilled

Source: Data processed with SmartPLS, 2023.

From the table above it is known that all variables have an AVE value of more than 0.5, so that these variables have a good construct validity.

**4.1.4. Discriminant Validity Test**

Discriminant validity is a cross loading factor that is useful for knowing whether a construct has sufficient discriminant or not. Discriminant validity can be measured by looking at the Cross loading value. If all indicators have a greater correlation coefficient with each construct than the value of the correlation coefficient of the indicator in the construct block in the other column, then it is concluded that each indicator in the block is a constituent of the construct in that column (Haryono, 2017). Discriminant Validity is then measured by comparing the AVE root value of each construct with the correlation between the construct and the other constructs in the model. If the AVE square root value of each construct is greater than the correlation value between the constructs and the other constructs in the model, it has good discriminant validity.

**Table 4:** Results of Cross Loading Values Discriminant Validity

	X1 (IT Awareness)	X2 (Digital Marketing)	Y1 (Product Distribution)	Y2 (SME's Performance)
X1.1	0.930	0.117	0.349	0.147
X1.2	0.931	0.170	0.375	0.181
X1.3	0.935	0.142	0.352	0.130
X1.4	0.810	0.098	0.277	0.044
X2.1	0.110	0.880	0.344	0.131
X2.2	0.172	0.905	0.378	0.155
X2.3	0.132	0.859	0.335	0.108
X2.4	0.096	0.824	0.296	0.137
Y1.1	0.302	0.281	0.830	0.221
Y1.2	0.247	0.263	0.803	0.201
Y1.3	0.280	0.338	0.787	0.270
Y1.4	0.393	0.339	0.825	0.245
Y1.5	0.325	0.383	0.901	0.268
Y2.1	0.069	0.087	0.207	0.826
Y2.2	0.168	0.204	0.297	0.873
Y2.3	0.090	0.074	0.191	0.763
Y2.4	0.197	0.148	0.234	0.804
Y2.5	0.058	0.068	0.210	0.800
Y2.6	0.085	0.111	0.243	0.750

Source: Data processed with SmartPLS, 2023.

From table 4 Discriminant validity Cross Loading, it can be seen that all indicators have a greater correlation coefficient with each of its own variables compared to the correlation coefficient values of the indicators with other variables, so it is concluded that each indicator in a block is a constructor of variables or constructs in the column which exists.

**Table 5:** Results of AVE Root Values and Correlation Between Constructs

	X1 (IT Awareness)	X2 (Digital Marketing)	Y1 (Product Distribution)	Y2 (SME's Performance)
X1 (IT Awareness)	0.903			
X2 (Digital Marketing)	0.149	0.868		
Y1 (Product Distribution)	0.378	0.392	0.830	
Y2 (SME Performance)	0.146	0.153	0.293	0.804

Source: Data processed with SmartPLS, 2023.

Based on table 5 above, it can be seen that the AVE root value of each variable is higher than the correlation value between that variable and the other variables in the model.

With this, it can be said that according to the test with the AVE roots, this model has good discriminant validity.

**4.1.5. Hypothesis Testing (Effect between variables)**

Testing the proposed hypothesis is done by looking at the path coefficients which show the parameter coefficients and the statistical significance value of t. The significance of the estimated parameters can provide information about the relationship between research variables. The limit for rejecting and accepting the proposed hypothesis is using a probability of 0.05.

The basis for decision making: (based on the T Statistics value with a significance level of 0.05 (Haryono, 2017) .

- Ho is accepted if T Statistics < 1.96 (no effect)
- Ho is rejected if T Statistics ≥ 1.96 (Influence)

The basis for decision making: (based on significance value) (Haryono, 2017)

- If the P-Value > 0.05 then H0 is accepted (no effect)
- If the P-Value ≤ 0.05 then H0 is rejected (Influence)

**Table 6:** Hypothesis Test based on Path Coefficient

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 (IT Awareness) → Y1 (Prod Distribution)	0.327	0.327	0.048	6.742	<b>0.000</b>
X1 (IT Awareness) → Y2 (SME Performance)	0.042	0.041	0.063	0.661	<b>0.509</b>
X2 (Digital Marketing) → Y1 (Prod Distribution)	0.343	0.343	0.048	7.083	<b>0.000</b>
X2 (Digital Marketing) → Y2 (SME Performance)	0.046	0.046	0.052	0.874	<b>0.382</b>
Y1 (Product Distribution) → Y2 (SME Performance)	0.259	0.261	0.057	4.571	<b>0.000</b>

Source: Data processed with SmartPLS, 2023.

**4.1.6. Test the Effect of Mediating Variables (Indirect Effect Test)**

The results of the mediation effect test can be seen in the Indirect Effect output, if the P value is less than 0.05 then the independent variable affects the dependent variable through the mediating variable. This analysis is to determine the magnitude of the coefficient of the direct, indirect, and total effect so that it can be seen whether the mediating variable mediates the effect of the independent variable on the dependent or not. The coefficient results can be seen in

the output of Table 7 Indirect Effects and Total Effects below.

**Table 7:** Indirect Influence Test Results and Total Influence Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1 (IT Awareness) → Y1 (Product Distribution) → Y2 (SME Performance)	0.085	0.086	0.023	3.734	<b>0.000</b>
X2 (Digital Marketing) → Y1 (Product Distribution) → Y2 (SME Performance)	0.089	0.090	0.026	3.457	<b>0.001</b>

**Total Effects**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
X1(IT Awareness) → Y1(Product Distribution)	0.327	0.327	0.048	6.742	<b>0.000</b>
X1 (IT Awareness) → Y2 (SME Performance)	0.126	0.126	0.060	2.093	<b>0.037</b>
X2 (Digital Marketing) → Y1 (Product Distribution)	0.343	0.343	0.048	7.083	<b>0.000</b>
X2 (Digital Marketing) → Y2 (SME Performance)	0.135	0.136	0.055	2.460	<b>0.014</b>
Y1 (Product Distribution) → Y2 (SME Performance)	0.259	0.261	0.057	4.571	<b>0.000</b>

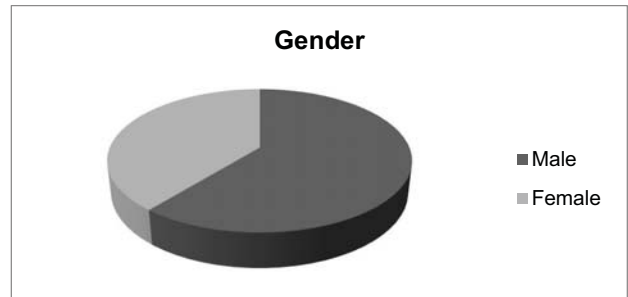
Source: Data processed with SmartPLS, 2023.

**4.2. Demography of Respondent**

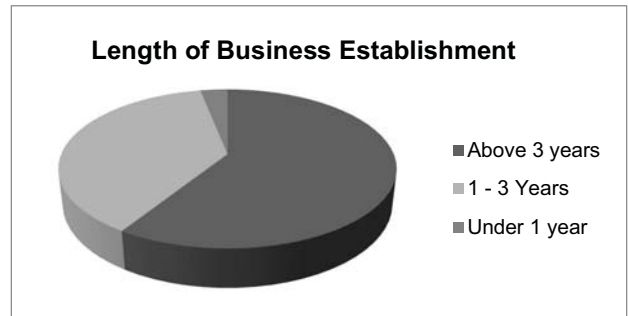
The research was conducted on SMEs in the city of Makassar, totaling 381 sample units. The sample was taken using the Slovin formula with a total population of 7,966 business units, consisting of 4,647 Small Businesses and 3,319 Medium Business units. Based on the results of the study, it was found that as many as 60.9% or as many as 232 respondents or business actors in Makassar were male. The remaining 39.1% or as many as 149 respondents or business actors in Makassar were female.(Figure 3). Of the 381 sample business units, 59% or as many as 225 business units have been running their business for more than 3 years. 37.9% or as many as 144 business units aged between 1-3 years.

The remaining 3.1% or 12 business units are under 1 year old. (Figure 4)

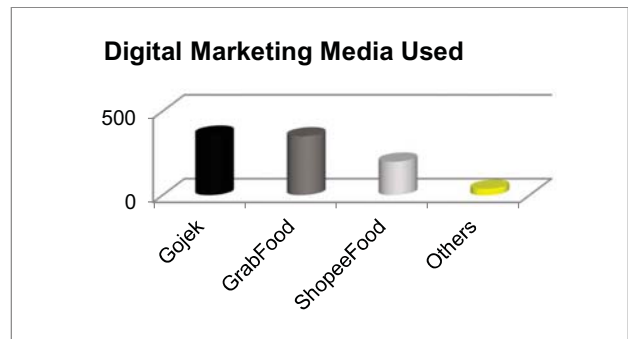
The sample studied has an average of 5-10 employees. Of the 381 sample units studied, 94.4% or as many as 360 business units have used the Gojek digital application to support their business activities. 91.9% or as many as 350 business units have used Grabfood to support their business activities. In addition, there are 52.2% or as many as 199 business units that use Shopee to support their business activities. (Figure 5)



**Figure 3:** Gender of Respondent



**Figure 4:** Length of Business Establishment



**Figure 5:** Digital Marketing media used

There are 53 business owners aged between 20-30 years. There are 176 business owners aged 31-50 years. The remaining 152 business owners are over 50 years old. As a



summary of the demography of the respondents, consider table 8 below.

**Table 8:** Demography of Respondents

Attributes	Item	F	%
Gender	Male	232	60.9
	Female	149	39.1
Length of Business Establishment	Above 3 years	225	59
	1 – 3 years	144	37.9
	Under 1 year	12	3.1
Age of Business Owner	20 – 30 years	53	13.9
	31 – 50 years	176	46.2
	Over 50 years	152	39.9
Education of business owner	Senior High	92	24.1
	Diploma	36	9.4
	Bachelor	168	44.1
	Magister & higher	85	22.4

### 4.3. Discussion

#### 4.3.1. Effect of IT Awareness on Product Distribution (Hypothesis 1)

Based on the research results, it is known that IT Awareness affects Product Distribution in marketing SME products in the city of Makassar. This is because the  $t$  count  $>$   $t$  table ( $6.742 > 1.96$ ) or  $P$  values  $<$   $0.05$  ( $0.000 < 0.05$ ), so  $H_0$  is rejected and  $H_a$  is accepted. A positive coefficient value means that the effect is positive, that is, if IT Awareness increases, Product Distribution also increases. With an increase in IT Awareness, product distribution that occurs through online sales and ordering of SME products in the city of Makassar will also increase.

#### 4.3.2. Effect of Digital Marketing on Product Distribution (Hypothesis 2)

Based on the research results, it is known that Digital Marketing affects Product Distribution in marketing SME products in the city of Makassar. This is because the  $t$  count  $>$   $t$  table ( $7.083 > 1.96$ ) or  $P$  values  $<$   $0.05$  ( $0.000 < 0.05$ ), so  $H_0$  is rejected and  $H_a$  is accepted. A positive coefficient value means that the effect is positive, that is, if Digital Marketing increases, Brand Positioning also increases.

Thus the second hypothesis which states "Digital Marketing affects on Product Distribution in marketing SME products in the city of Makassar" is proven and can be declared accepted. This is in line with research put forward by (Keke, 2022) which states that all digital marketing channels, especially social media, have a significant influence on product distribution which has an impact on consumer purchasing preferences. Social media is one of the easiest ways to influence a potential customer's buying decision. In today's highly competitive environment, it would be a huge mistake for companies and brands not to have a presence on social media.

#### 4.3.3. The Effect of Product Distribution on SME Performance (Hypothesis 3)

Based on the research results, it is known that Product Distribution affects the performance of SMEs in the city of Makassar. This is because  $t$  count  $>$   $t$  table ( $4.571 > 1.96$ ) or  $P$  values  $<$   $0.05$  ( $0.000 < 0.05$ ), so  $H_0$  is rejected and  $H_a$  is accepted. The positive coefficient value means that the effect is positive, that is, if the distribution increases, the SME performance also increases. Thus, the third hypothesis which states "Product distribution influences the Performance of SMEs in the city of Makassar" is proven and can be declared accepted. This is in line with the study (Foroudi, 2019) showing that the influence of product distribution describes a significant relationship to the performance of an organization. Therefore, SMEs need to increase the distribution of their products either through sales or through the distribution of their products directly to consumers so that the performance of SMEs can increase. Improving the performance of SMEs can be done through increasing sales, company turnover, or brands that are widely known by consumers.

#### 4.3.3. Effect of IT Awareness on SME Performance (Hypothesis 4)

Based on the research results, it is known that IT Awareness does not affect the performance of SMEs in the city of Makassar. This is because the value of  $t$  count  $<$   $t$  table ( $0.661 < 1.96$ ) or  $P$  values  $>$   $0.05$  ( $0.509 > 0.05$ ), so that  $H_0$  is accepted and  $H_a$  is rejected. Thus the fourth hypothesis which states "IT Awareness affects the performance of SMEs in the city of Makassar" is not proven and can be declared not accepted. This contradicts a study by (Nurdiana NURFARIDA et al., 2021) entitled "The Impact of Social Media Adoption on Customer Orientation and SME Performance: An Empirical Study in Indonesia". The results of this study indicate that customer orientation can improve SME performance, and social media positively moderates the effect of customer orientation on SME performance. This shows that even though SMEs have a good level of awareness of information technology, it is not enough to affect the performance of their SMEs.

#### 4.3.4. Effect of Digital Marketing on SME Performance (Hypothesis 5)

Based on the results of the study it is known that Digital Marketing does not affect the performance of SMEs in the city of Makassar. This is because the value of  $t$  count  $<$   $t$  table ( $0.874 < 1.96$ ) or  $P$  values  $>$   $0.05$  ( $0.382 > 0.05$ ) so that  $H_0$  is accepted and  $H_a$  is rejected. Thus the fourth hypothesis which states "Digital Marketing affects the performance of SMEs in the city of Makassar" is not proven and can be declared not accepted. This is in line with a study by (Prabowo, 2018) entitled "The Influence of Digital

Marketing on Organizational Performance with Intellectual Capital and Perceived Quality as intervening variables in the Three-Star Hotel Industry in Surabaya". This research shows that Digital Marketing does not have a strong enough effect on company performance. This means that the use of digital marketing tools is not enough to significantly improve the performance of SMEs. SME owners need to look for other means that can directly improve the performance of the SMEs they manage.

#### 4.3.5. Effect of IT Awareness on SME Performance Through Product Distribution (Hypothesis 6)

Based on the research results, it is known that IT Awareness influences the performance of SMEs in Makassar City through Product distribution. This is based on the Indirect effect test which obtained a P value of less than 0.05 ( $0.000 < 0.05$ ). Thus, the fifth hypothesis which states "IT Awareness influences the Performance of SMEs in Makassar City through Product Distribution" is proven and can be declared accepted. This is in line with a study from (Chatterjee & Kumar Kar, 2020), which states that awareness of the use of information technology in SMEs contributes to the growth of SME businesses in India through increasing brand distribution of the products offered by SMEs. These results indicate that awareness of information technology has a positive and significant effect on the distribution of SME products so it also influences the performance of SMEs in the city of Makassar. IT Awareness here makes it easier for business owners to introduce their products to consumers by using available information technology. This will significantly improve the performance of SMEs in Makassar City.

#### 4.3.6. Effect of Digital Marketing on SME Performance Through Product Distribution (Hypothesis 7)

Based on the research results it is known that Digital Marketing affects the Performance of SMEs in Makassar City through Brand Positioning. This is based on the Indirect effect test which obtained a P value of less than 0.05 ( $0.001 < 0.05$ ). Thus the seventh hypothesis which states "Digital Marketing influences the Performance of SMEs in Makassar City through Product Distribution" is proven and can be declared accepted. This hypothesis is in line with research by (Verhoef & Bijmolt, 2019) entitled Marketing Perspectives on digital business models: A Framework and Overview of the special issue. According to the research, digital business models, through their effect on market outcomes, may have direct and indirect effects on business performance. Digital business models can also impact some brand and customer-level metrics. Customers may become less loyal and the company may find it more difficult to attract new customers. A company's digital transformation

can impact business performance results at both the company and brand/customer levels.

## 5. Conclusion

Improving the performance of SMEs in Makassar City can be done by increasing the distribution of the SME brands offered. The product distribution of SME products in Makassar City can be done by utilizing digital marketing media, including media like Facebook, Instagram, GrabFood, Gofood, ShopeeFood and others. Awareness of the use of information technology in SMEs will affect the performance of SMEs in Makassar City, although indirectly. SME performance will increase if the distribution of SME products increases through awareness of the use of information technology facilities in the operation of SMEs in Makassar City. For this reason, SMEs in Makassar City should begin to instill awareness of the use of information technology both to the owner and to its employees. The better IT Awareness of SMEs (both SME owners and their employees) will affect the distribution of SME products to their consumers. Likewise, the use of Digital marketing media can assist in the distribution of SME products to consumers.

Product distribution significantly affects the performance of SMEs in the city of Makassar, because it has a direct effect on company sales and turnover.

## 6. Research Limitation

This research was conducted only in the city of Makassar and in Small and Medium Enterprises engaged in the culinary field. For samples from this study, the authors obtained from businesses that have registered on the Gojek, GrabFood, ShopeeFood applications, and others. The author realizes that the characteristics of SMEs in Indonesia vary by region. Regional differences will certainly affect the characteristics of the businesses in that region. For this reason, further research can be conducted on SMEs throughout Indonesia, not just SMEs engaged in the culinary field, to see how the influence of digital marketing media and awareness of information technology has on the performance of SMEs throughout Indonesia and possibly even around the world.

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