

## **E-Commerce And Social Media For Improving Business Performance**

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### **Abstrak**

Problems with maintaining business performance, such as sales or profit levels, have been identified as a result of digital transformation. The post-pandemic situation continues to present barriers, preventing corporate actors from fully restoring sales to pre-pandemic levels. The presence of new enterprises is becoming more prevalent, creating competition among business actors. This condition has a negative impact on performance. Micro, small, and medium-sized enterprises (MSME) are one of the transformation priorities since they are important drivers of national economic stability, including the development of MSMEs in Medan City. The goal of this research is to determine and analyse the impact of e-commerce, social media, and digital transformation on business performance, in line with the expansion of the internet and its potential application for corporate development. A purposive sampling technique was utilised to choose MSMEs (n=121) in Medan City, with a focus on food and beverage, fashion, and automotive sectors. As an idea, the Medan City Government might help with digital transformation by utilising e-commerce and social media. The expansion of digital ecosystems such as e-commerce, social media, and digital transformation complements local economic growth, values community empowerment in MSMEs, and values local cultural expertise. This collaboration is in keeping with the ideals of sustainable development.

**Keyword:** digital transformation, e-commerce, Social media, business performance, MSMEs

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### **INTRODUCTION**

As the digital economy develops, the number of Internet users is increasing. Users of this technology have increased in Indonesia by 14.60 percent in a year thanks to easy access to the Internet. (Aditi, 2022). The public is aware of the importance of internet access in the search for information, news, communication, entertainment, and the value of business development, or e-business. However, the process requires adaptation, as

defined by Tamba (2023), of e-business as a complex alliance by blending the business processes, corporate applications, and organizational structures needed to produce a business model that produces better internal and external performance than the previous conditions. In line with the development of this technology, it should be able to be used in support of business processes, including in the micro, small, and medium-sized enterprise sectors. (UMKM). As the capital, the city of Medan has an important role in driving national economic growth. In line with the rise of information technology, the development of this technology has contributed to the business sector.

In an effort to increase social media and e-commerce usage, the government of Medan has strengthened training in digital marketing to expand market share. The challenge for UMKM operators at the moment is how to extract markets that are accessible without time and space limits. The Kent City Government is aware of the importance of such digital marketing training. According to the Central Statistics Agency, the town of Medan has a population of 2,494,785, with UMKM as many as 190,552 units (BPS Kota Medan , 2022). The group represents one of the determinants of national economic stability in Indonesia, including the city of Medan. Based on data from the Field Shopping Center Managers Association, it records about 33 percent of public spending transactions using e-commerce. So there is a great chance for UMKM to boost its business performance through the Internet (Tamba, 2023). In such a situation, efforts are needed to encourage the adaptation of entrepreneurs to the digitalization of business processes in order to move towards online business. This proves the penetration of the Internet in the changing business sector. In line with the development of the ecosystem, there are three connections. First, transactions usually done through conventional stores can now be done from anywhere and anytime. The transaction process runs through the Internet, so the online shop is a means of conducting trade. E-commerce and electronic commerce transactions involve technology, applications, business marketing strategies, as well as the theory and practice of electronic trading (Tamba et al., 2023). Electronic sales processes make it easy for entrepreneurs to expand their market segments. Second: social media as a means of meeting customers virtually so that it can be used to boost sales performance. Yusuf and Kushendar (2023) refer to social media as websites and online technologies that enable users to represent themselves, exchange information, ideas, and interests, and communicate with other users, thus forming virtual social bonds. Sopi Pentana (2023) identifies the role of social media significantly towards entrepreneurial creativity and thus establishes a good relationship with the supply chain. Aditi et al. (2023) found that social media is significantly positively linked to business performance, so a business needs to develop strategies through social media to achieve higher business performance.

According to Data Insight, the Internet's target category for pursuing social media efforts was 57.80 percent, with a digital readiness index of only 3.60 percent. (Kata Data Center, 2021). UMKM often encounters obstacles in running businesses using digital marketing technology, and one of the main problems is that consumers have not understood the use of the Internet as well as the limitations of knowledge when running businesses digitally. The government's policy is in favor of consumers understanding

digitalization while helping to maximize the use of technology for trade transactions so that economic growth is accelerated with the digitalisation.

It provides an overview of the limitations of the use of social media and e-commerce in business activities. Thus, attention is needed to direct the perception of the majority of UMKM owners in Medan City towards the use of social media, e-commerce, and digital transformation for business performance advancement. This is proved by Maulana et al. (2023) about the overall perception of UMKM managers in Laos that e-commerce has a significant positive impact on business performance.

Although society has adapted to this technology, its use in the business sector still needs to be promoted by various parties. Empirical studies were conducted to identify the impact of the use of e-commerce and social media to improve business performance. The three were chosen as independent variables because they fit the information systems that are evolving at the moment and are adopted by society in support of communication modernization in today's digital age. The update of the research emphasises the unit of analysis on UMKM perpetrators in the field so that the benefits of the study results as information for the government of the field to develop regulations encourage

### **Business Performance**

Business performance is the resilience of a business based on the results of a process that has been measured against a strategy that has already been established to achieve a goal. (Pane, 2022). Business performance has complex concepts of profitability, investment risk, cash flow, and better performance than competitors. Business performance is the benchmark for a company. Business performance can focus on two categories: financial and operational. (Aditi et al., 2023). In an effort to improve performance, companies will press the cost and efficiency of the process, as well as pay attention to practices in attracting consumer attractiveness. Despite the fierce competition, an enterprise improves its business performance by combining the latest technological advances with its marketing plans. (Tamba et al., 2022).

### **E-commerce**

Electronic commerce, or e-commerce, is the process of conducting business automatically online or electronically with the concept of business-to-business (B2B) or business-to-consumer (B2C) transactions (Aditi et al., 2022). E-commerce accelerates various business procedures in administrative activities such as ordering, shipping, packaging, and payment that can suppress operating costs. (Saepudin et al., 2022). With e-commerce, consumers don't have to come to physical stores to do sales and purchases; they can access it anywhere and anytime. The advancement of e-commerce has created major changes in the retail and service industries, so it can be concluded that e-handel is an online trading activity through the Internet media with a particular system where sellers and buyers do not meet directly. This potential provides savings and ease of reaching consumers, thus affecting business performance. Thus, the formulation of the first hypothesis (H1): H1: The use of e-commerce influences the performance of UMKM businesses in the city of Medan.

## Social Media

Social media is the most important aspect in the category of communication tools as well as marketing, so it plays a major role as a promoter of interaction in everyday life. Social media is considered to provide information facilities and give users of the platform control over creating or sharing content. (Olanrewaju et al., 2020). No longer engage in traditional communication and marketing where the openness and connectivity of social media provide modern facilities for communicating, participating, and analysing markets, thus opening up marketing opportunities for entrepreneurs to engage online with consumers in a cost-effective way. (Grama-Vigouroux et al., 2020). Various researchers have pointed out the importance of social media for business, especially UMKM, in order to enhance business development by reaching the market more widely and building the company's reputation. Social media as knowledge and innovation management (Olanrejawu et al., 2020) According to Rienda et al. (2020), social media has a positive and significant link to business performance. Social media is an application (platform) that facilitates its users to share information or interact as a means of supporting the marketing of a product or service. The effect of social media increases the sales performance of UMKM business activities. Thus, the formulation of the second hypothesis

(H2): H2: The use of social media has an impact on UMKM's business performance in the town of Medan.

In line with the development of the digital ecosystem, the research focuses on UMKM's business performance in Medan City by considering e-commerce, social media, and digital transformation. The three positive impacts on business performance include increasing sales volumes, providing ease and speedy access, building innovation in various areas, and increasing market share. Relationships between variables are summarised in Figure 1.

## RESEARCH METHOD

The research stages are as follows: First, research design uses descriptive and quantitative data processing using statistical or multivariate approaches. The study tested the influence of independent variables (e-commerce, social media, and digital transformation) on business performance as dependent variables. Second, the population in the study is the UMKM offender in the city of Medan. The sample selection technique uses purposive sampling with the following criteria: (1) enterprises operating in the food and beverage, fashion, and automotive sectors; (2) minimum enterprises running for 3 years; and (3) enterprises located in the territory of the City of Medan. Based on this approach, a sample size of 121 entrepreneurs has been obtained. Thirdly, the variable measurement refers to the previous study summarised in Table 1. The total indicator of 21 items was then developed into a questionnaire with an interval scale from 1 (very disagreeable) to 5 (sangat setuju). The scale is designed to make it easier for respondents to determine their choice of answers so that there is no ambiguity in determining their opinions. The dissemination of questionnaires is done through Google forms.

## RESULT AND DISCUSSION

### Respondent Profile

Study involving 121 respondents from groups of MSME actors in the food & beverage, fashion and automotive sectors in Medan City. The overall respondent profile is summarized in Table 2:

Table 2. Respondent Profile

Profiles	Information	%
<b>Gender</b>	Man	51.54
	Woman	48.46
<b>Age</b>	20-25 years	77.70
	25-31 years old	19.20
	32-37 years old	2.30
	Over 37 years old	0.80
<b>Last education</b>	High school equivalent	50.80
	D3 - S1	46.20
	S2	3.10
<b>Length of business</b>	Less than 5 years	88.50
	5 years and above	11.50
<b>Type of business</b>	Food & Drink	47.70
	Fashion	45.50
	Automotive	6.80
<b>Number of employees</b>	Less than 10 employees	80.80
	10 employees and above	19.20

Source: Processed by the author

From a gender aspect, the majority are run by men compared to women, while the largest age group is between 18 and 23 years old, so they can be categorised as young entrepreneurs. As many as 50 percent of respondents had a high school equivalent education or were still continuing their studies at the undergraduate level. Most started their business in less than 5 years, and the number of employees is less than 10 people. The largest type of business is the food and beverage business, followed by fashion. This profile describes the variation in respondents in Medan City.

Table 4. Reliability Test Results Source: SmartPLS 3 data processing results

Variable	Cronbach's Alpha	Composite Reliability	Information
<i>Ecommerce</i>	0.756	0.835	<i>Reliable</i>
<b>Social media</b>	0.736	0.835	<i>Reliable</i>
<b>Business Performance</b>	<b>0.671</b>	<b>0.859</b>	<i>Reliable</i>

### Hypothesis test

The resulting R-square was 0.476, indicating that the e-commerce, social media, and digital transformation variables contributed to business performance by 47.60 percent, while the remainder was influenced by other variables by 52.40 percent. The results indicate that the performance of this model is relatively moderate. The Q-square value of 0.312 shows that the model has a predictive relevance value of 31.20 percent, which indicates that the information can be explained by the model.

Based on the goodness of fit of 0.536, this research has a relatively large interpretation value. The F-square test results were obtained respectively (0.186; 0.022; 0.094), which means that e-commerce has a moderate influence on achieving business performance (0.186), while social media and digital transformation have a weak influence on business performance, namely 0.022 and 0.094.

Table 5 depicts the results of structural regression testing with path coefficient values for e-commerce (+0.276), social media (+0.163), and digital transformation (+0.277). Regression testing shows a significant 5 percent influence of e-commerce on business performance. The resulting t-statistic value is 4.456, which is higher than 1.96, and the p-value is 0.000, which is smaller than 0.05, so the first hypothesis (H1) is accepted with a significance of 5 percent.

Table 5. Cross Loadings Data Processing Results

<i>P ath</i>	<i>Original Sample</i>	<i>Sample Mean</i>	<i>Standard Deviation</i>	<i>Q Statistics</i>	<i>P Values</i>
<b>Ecommerce → Business Performance</b>	0.398	0.387	0.093	4,446	<b>0,000</b>
<b>Social Media → Business Performance</b>	0.148	0.149	0.105	1,389	<b>0.139</b>

Source: SmartPLS 3 data processing

Further testing shows that social media has no significant influence on business performance, with a t-statistic value of 1.389, which is lower than 1.96, and a p-value of 0.139, which is smaller than 0.05. It was concluded that the second hypothesis (H2) could not be accepted with a significance of 5 percent. The latest test shows the significant influence of digital transformation on business performance. The test produces a t-statistic of 3.274, where this value is higher than 1.96 and the p-value is 0.001 or smaller than 0.05. It was concluded that the third hypothesis (H3) was accepted with a significance of 5 percent.

The results are in accordance with Aditi et al.'s (2022) finding that e-commerce has a significant positive effect on business performance. In line with the argument that MSMEs need e-commerce to support marketing and promotional strategies, Research shows that the greater the use of e-commerce, the greater the business performance. E-commerce capabilities are equipped with various features to make it easier for business actors to obtain information, save operational costs, carry out transactions, and improve

services so that the business they run becomes more effective. The existence of e-commerce allows businesses to operate more efficiently, so it is hoped that it can help achieve better performance improvements.

Shopee is an online e-commerce platform that makes it easy to sell and buy goods via smartphone or website. Shopee is present in Indonesia to offer a new way to shop, make selling easier, offer safe digital payment methods for buyers, and integrate delivery. Shopee has a large selection of goods in various types of styles and daily necessities products. A comfortable and safe online shopping experience is also made possible by Tokopedia, as e-commerce can be accessed by all business owners in Indonesia. With more than eleven million authorised vendors and retailers, Tokopedia offers a variety of products in Indonesia. Tokopedia collaborates with delivery services to make delivery easier for customers. E-commerce allows an entrepreneur to open and manage his own online shop with optimal results.

The influence of social media, according to Yusuf et al. (2022), shows an insignificant positive relationship with business performance. The results are not in accordance with Aditi et al.'s (2022) finding that social media has a significant positive relationship with business performance. A business needs to develop a strategy through social media so that its performance is higher. Business people need to experiment using social media so they can estimate how much profit their business will make by using social media. One of the factors that causes the social media variable to be insignificant is that the majority of respondents are relatively new (less than 5 years) to running businesses, so they are not yet optimal in using social media for business purposes. The second factor is related to experience in using social media, which has not been focused on business purposes but is still used for lifestyle purposes.

## CONCLUSION

This study identifies that e-commerce and social media have a significant positive influence on MSME business performance in Medan City, while social media gives the opposite result. The government, together with the private sector and state-owned companies, can provide assistance to business actors in using e-commerce and social media so that MSMEs can expand markets, increase sales, and maximise business performance in the digital ecosystem. MSME players need to utilise social media to encourage business performance and create sustainable resilience. Because it is related to local economic development, the MSME sector cannot be separated from interference or the role of government, so that as a form of development for further studies, it is deemed necessary to consider a mechanism through government support. The role of this variable is to act as a mediator in encouraging the use of the internet for business success. The limitations of this study are on the respondent scale, so further studies can add other business sectors.

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