The Impact Of Digital Marketing And Intellectual Capital On Business Performance (Case Study Of SMEs In Depok City, West Java)

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ABSTRACT
This study explores the impact of digital marketing and intellectual capital on the business performance of SMEs in Depok City. Using a quantitative approach, this research analyzes data obtained from 100 respondents through online questionnaires. The results of multiple linear regression analysis indicate that both digital marketing and intellectual capital have a significant influence on business performance. Digital marketing, measured through variables such as interactivity, site design, cost/transaction, and incentive programs, has been proven to increase customer engagement and online transaction volumes. On the other hand, intellectual capital, consisting of human capital, structural capital, and relational capital, plays a crucial role in enhancing the operational efficiency and profitability of companies. Business performance measurements in this study include profitability, operational efficiency, and customer satisfaction. The coefficient of determination (R²) value of 77.2% indicates that the digital marketing and intellectual capital variables together explain most of the variability in business performance. These findings are consistent with previous studies showing that the use of digital technology in marketing and the management of intellectual capital can enhance a company's competitiveness and overall performance. Thus, this research makes a significant contribution to the literature on digital marketing and intellectual capital management, offering practical insights for business practitioners to improve their marketing strategies and intangible asset management.

Keywords: Digital Marketing; Intellectual Capital; Business Performance;

1. INTRODUCTION
The role of information technology in various business activities is increasingly important, especially as a means of exchanging information. Currently, there are far more media used to promote business activities than in previous periods, and advances in information technology are one of the driving factors. Businesses, such as those in the service industry, heavily rely on information technology to enhance their operations and competitiveness. The development of the times requires business people to be able to turn these changes into strengths in carrying out their business operational activities. If not, it can be said that the business actor is lagging behind the times. Therefore, service-oriented businesses, such as hospitality and retail, which provide lodging, food and beverage, and other service facilities, are highly required to apply technology in their operations. The company's ability to utilize digital marketing optimally is expected to improve business performance significantly.

Business performance is a key aspect in much research in management literature because it plays an important role in developing, implementing, and monitoring strategic plans and determining future direction (Raihansyah et al., 2024). There are several factors that researchers believe can significantly influence business performance, namely Digital Marketing and Intellectual Capital. The Digital Marketing Institute defines digital marketing as the use of digital technology to create integrated, targeted, and measurable communications that help to acquire and retain customers while building deeper relationships with them. Digital marketing encompasses direct marketing, which treats customers as individuals and defines them not only by individual characteristics but also by how they behave, and interactive marketing, which has the ability to address individuals and collect and remember responses from those individuals. There are four dimensions of Digital Marketing: a) Cost/Transaction, b) Interactivity, c) Incentive Programs, and d) Site Design (Islami et al., 2020).

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There are a number of previous studies (Purba et al., 2021; Djakasaputra et al., 2021; Munir et al., 2023; Gao et al., 2023) (that show Digital Marketing has a significant influence on Business Performance. In addition to Digital Marketing, this research also examines the impact of Intellectual Capital on Business Performance. Intellectual Capital, one of the most important intangible assets in the information and knowledge era, refers to the knowledge and abilities possessed by a social collectivity, such as an organization, intellectual community, or professional practice (Asuat et al., 2023). Intellectual Capital represents valuable resources and the ability to act based on knowledge, including knowledge, human resources, and technology that can increase a company's competitiveness.

Intellectual Capital plays a crucial role in supporting the business success of a company (Phonthanukitithaworn et al., 2023). Intellectual Capital categorized into three main components: Human Capital, Organizational Capital (Structural Capital), and Customer Capital (Relational Capital) (Taha et al., 2022). These components are essential for companies to focus on. Previous research, found that Intellectual Capital affects company performance (Cindiyasari et al., 2022; Rosari et al., 2024), although another research found differing results (Nirino et al., 2022). Intellectual Capital is a technology management process that specializes in calculating a company's future prospects (Giampaoli et al., 2024). It can also be defined as an intangible asset containing knowledge that can influence the performance of a company in the future (Purnawati et al., 2022).

A number of studies (Ahmed et al., 2020; Yusliza et al., 2020) show that Intellectual Capital has a positive relationship and significant influence on Business Performance. This research aims to explore further the influence of Digital Marketing and Intellectual Capital on Business Performance, filling the gap in existing literature and providing new insights for practitioners and researchers alike.

2. LITERATURE REVIEW

Digital Marketing is viewed as a form of marketing technology evolution that offers new ideas for businesses to try (Sari et al., 2023). In the modern era, digital marketing is becoming increasingly important in Indonesia. Advances in digital marketing have changed the way brands, businesses, and organizations use digital channels for marketing activities (Ifadhila et al., 2024). Consequently, digital marketing campaigns have become more common and effective as digital platforms are increasingly integrated into marketing plans and daily life (Harto et al., 2023). Additionally, digital marketing is an electronic communication channel used by marketers to promote products and services to the market. Specifically, digital marketing is defined as the sale and purchase of information, products, and services through computer networks or the internet (Fitria et al., 2024). Finally, digital marketing helps marketers reach their products to users through multiple channels such as Email Marketing, online advertising, Social Media Marketing, Mobile Marketing, etc.

Intellectual Capital (IC) is one of the most important intangible assets in the information and knowledge era. IC encompasses the resources and capabilities possessed by an organization, including Human Capital, Structural Capital, and Relational Capital (Budiman et al., 2021). Human Capital refers to the knowledge, skills, and competencies of employees. Structural Capital includes internal processes, databases, and organizational culture that support productivity. Relational Capital involves a company's relationships with customers, suppliers, and partners, which can enhance loyalty and business opportunities. Research shows that effective management of IC can improve business performance. IC plays a crucial role in business success (Rusnani & Liyanto, 2022). IC positively influences company performance, despite differences in certain contexts. IC, as a technology management process, projects the company's future prospects, emphasizing the potential of IC for long-term growth and innovation.

Business Performance (BP) is a key indicator of a company's success, encompassing various aspects such as profitability, operational efficiency, and customer satisfaction. BP is a primary focus in management research due to its role in the development, implementation, and monitoring of strategic plans (Setiawan et al., 2024). The Balanced Scorecard is a commonly used tool to measure BP through four perspectives: financial, customer, internal processes, and learning and growth (Saputra, 2021). Previous studies have shown that various factors influence BP. Other factors such as digital marketing and intellectual capital have a significant impact on company performance (Janah et al., 2023). The management of intangible assets, including intellectual capital, can project the company's future prospects, which in turn enhances overall BP (Wardani & Machdar, 2023).
3. RESEARCH METHOD

The indicators for the Digital Marketing variable used include Cost/Transaction, Interactivity, Incentive Programs, and Site Design. Meanwhile, the indicators for the Intellectual Capital variable include Human Capital, Structural Capital, and Relational Capital. The indicators for the Business Performance variable include Profitability, Operational Efficiency, and Customer Satisfaction.

Various previous studies have identified factors that influence Business Performance. In the context of digital marketing, the use of Digital Marketing and Intellectual Capital has become a focus of attention. Other research indicates that Digital Marketing, which considers factors such as interactivity and site design, can enhance business performance by increasing customer engagement and online transactions (Erwin et al., 2023).

On the other hand, Intellectual Capital has also proven to be an essential element in improving Business Performance. Other research has found that Human Capital, Structural Capital, and Relational Capital can affect a company’s operational efficiency and profitability (Agustia et al., 2021).

In the field of business performance, theories about Business Performance have become a fundamental basis. Other studies explain that the management of intangible assets, including Intellectual Capital, can project the company’s future prospects and enhance overall performance (Lathifaturahmah, 2023).

Within this framework, this research will develop hypotheses that combine theories of digital marketing and intangible asset management to test the impact of Digital Marketing and Intellectual Capital on Business Performance. These hypotheses will serve as the basis for further research and data collection in examining the impact of digital marketing strategies and intellectual capital management on a company’s business performance.

![Diagram of research concept method]

Based on Figure 1 above regarding the relationships between variables in the study, the following hypotheses can be formulated:

H1: Digital Marketing affects Business Performance
H2: Intellectual Capital affects Business Performance

This study uses a quantitative research approach by analyzing numerical data using statistical tools (Waruwu, 2023). The research location is considered general or comprehensive across Indonesia, as the distribution of questionnaires is conducted through social media, covering respondents from various regions. The population in this study consists of SMEs in Depok City with a total of 130 consumers. This study uses the simple random sampling method, which involves randomly selecting subjects without considering strata within the population (Amin et al., 2023). Therefore, this study uses the Slovin formula as follows:

\[ s = N \frac{E}{\sqrt{s}} \]

Explanation: \( S \) = sample, \( N \) = population, \( E \) = sampling error (5%)
According to the formula, the minimum number of samples required for this study is 98.11 respondents, rounded up to 100 respondents. This number is considered adequate as a representation of the population.

Based on the research design, Digital Marketing and Intellectual Capital act as independent variables, while Business Performance serves as the dependent variable. Data collection technique is carried out by filling out questionnaires using Google Form. Measurement of questionnaire items uses a Likert scale with the following points: (1) Strongly Disagree (SD), (2) Disagree (D), (3) Agree (A), and (4) Strongly Agree (SA). The number of statements in the questionnaire is 30.

Instrument validation is conducted through validity and reliability tests. Statement instruments are considered valid if the calculated $r >$ the tabular $r$. In this study, out of the 30 statement items tested, each showed a calculated $r >$ the tabular $r$ (0.361). Reliability testing uses Cronbach’s Alpha method with a value $> 0.60$, where one item of statement instrument is considered reliable (Puspasari & Puspita, 2022). The results of reliability testing show that variables X1 and X2 each have a Cronbach’s Alpha value greater than 0.60. Thus, it can be concluded that all statements in the questionnaire are valid and reliable for use in this study.

Data analysis technique in this study uses multiple linear regression analysis with data processing conducted through the SPSS (Statistical Package for Social Science) program. Classical assumptions tested include normality test, multicollinearity test, and heteroskedasticity test. Normality test is conducted using the Kolmogorov-Smirnov test. The result shows an asymptotic significance value of 0.084 $> 0.05$, indicating that the data distribution is normal.

For multicollinearity test, the tolerance value for Digital Marketing (X1) and Intellectual Capital (X2) variables is 0.626, both of which are greater than 0.1. Additionally, the VIF value for both variables is 1.597, which is also less than 10, indicating that there are no multicollinearity issues among the three variables in this study.

Heteroskedasticity test is conducted using scatterplot, and the result shows that the requirement for the absence of heteroskedasticity is met. Data processing through multiple linear regression analysis involves T-test (partial coefficient test), F-test (feasibility test), and $R^2$ (coefficient of determination analysis).

4. RESULTS AND ANALYSIS
The findings of this research are based on data from 100 respondents who have met the characteristics as respondents. The collected data include respondent characteristics and the analysis of the relationship between digital marketing and intellectual capital on business performance in Micro, Small, and Medium Enterprises (MSMEs) in Depok City.

The influence of digital marketing on business performance.

Based on the conducted research, the following data were obtained:

<table>
<thead>
<tr>
<th>Model</th>
<th>Coefficient of Regression</th>
<th>t-value</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.553</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Digital Marketing</td>
<td>0.177</td>
<td>3.866</td>
<td>0.000</td>
</tr>
<tr>
<td>Intellectual Capital</td>
<td>0.738</td>
<td>11.405</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Based on the data processing results above, the multiple regression equation can be written as follows:

$$Y = 0.177X1 + 0.738X2 + e$$

In this study, the significance value of the digital marketing variable is 0.000, smaller than 0.05, and the t-value is 3.866, which is greater than the t-table value of 1.778. This indicates that the digital marketing variable has a significant influence on consumer purchasing decisions. The first hypothesis, stating that the
digital marketing variable (X1) affects the business performance variable (Y), is accepted. Partial t-test is used to assess the influence of the digital marketing variable on business performance in Micro, Small, and Medium Enterprises (MSMEs) in Depok City.

These results confirm that the digital marketing variable (X1) significantly influences business performance (Y). This aligns with other studies concluding that digital marketing can enhance business performance in MSMEs (Diah et al., 2022).

The influence of intellectual capital on business performance.

In this study, the significance value of the intellectual capital variable is 0.000, smaller than 0.05, and the t-value is 11.405, which is greater than the t-table value of 1.985. This indicates that the intellectual capital variable has a positive influence on business performance. The second hypothesis, stating that the intellectual capital variable (X2) affects business performance (Y), is accepted. Partial t-test on the price variable shows the influence of intellectual capital (X2) on business performance in Micro, Small, and Medium Enterprises (MSMEs) in Depok City.

These results indicate that the intellectual capital variable (X2) significantly influences business performance (Y). Intellectual Capital has been a common job worldwide for a long time. Individuals involved in personal selling activities are known by various terms such as salesmen, sales representatives, agents, district managers, account executives, sales consultants, and sales technicians (Septiawan & Hermawan, 2022).

The influence of digital marketing and intellectual capital on business performance.

Table 2. Results of the coefficient of determination analysis (R²)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.882a</td>
<td>0.772</td>
<td>0.778</td>
<td>1.662</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DIGITAL MARKETING, INTELLECTUAL CAPITAL

The R² determination value is used to assess the extent to which the regression model explains the relationship between the independent variables of digital marketing and intellectual capital with the dependent variable of business performance. With an R Square value of 0.772, it can be concluded that the combined influence of variables X1 and X2 on variable Y is 77.2%, while the remaining 22.8% is influenced by other variables outside of this study. Therefore, it can be concluded that the utilization of digital marketing and intellectual capital together can affect business performance in Micro, Small, and Medium Enterprises (MSMEs) in Depok City.

The regression coefficient for the digital marketing variable (X1) is 0.177, meaning that every 1% increase in the digital marketing variable will result in a 0.177 increase in the business performance variable (Y). The significance value of 0.000 indicates that digital marketing has a significant influence, suggesting that the sample used represents the population well.

Meanwhile, the regression coefficient for the personal selling variable (X2) is 0.738, meaning that every 1% increase in the personal selling variable will result in a 0.738 increase in the business performance variable (Y). The significance value of 0.000 indicates that personal selling also has a significant influence, and the sample used represents the population well.
5. CONCLUSION

After analyzing the research results, it can be concluded that the digital marketing variable has a positive influence on business performance in Micro, Small, and Medium Enterprises (MSMEs) in Depok City. This is because digital marketing is used by sellers to enhance their business performance.

The intellectual capital variable also has a positive influence on business performance in MSMEs in Depok City. This is because intellectual capital encompasses Human Capital (knowledge, skills, and employee competencies), Structural Capital (internal processes, databases, and organizational culture supporting productivity), and Relational Capital (company relationships with customers, suppliers, and partners) that can enhance loyalty and business opportunities.

Furthermore, both variables, digital marketing and intellectual capital, have a positive influence together on business performance in MSMEs in Depok City. This is because digital marketing and intellectual capital mutually support each other in enhancing business performance. When sellers utilize digital marketing, it impacts sales growth, which in turn enables businesses to leverage intellectual capital more effectively to enhance their business performance.

REFERENCES


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