

The Utilization of Social Media as a Digital Marketing Tool to Improve the Performance of MSMEs: A Literature Study

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Abstract

The rapid growth of social media has fundamentally transformed digital marketing strategies, particularly for Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. This study aims to analyze the benefits of social media as a digital marketing tool and its impact on MSME performance through a systematic literature review approach. Using qualitative methods, this research examined 25 scientific publications published between 2019 and 2024, supplemented by observational analysis of Instagram and TikTok analytics data, as well as survey results from MSME practitioners. The findings reveal that social media utilization—particularly through Instagram and TikTok—significantly contributes to increased brand awareness, expanded customer reach, increased sales volume, and reduced marketing costs for MSMEs. Instagram demonstrates strengths in visual brand storytelling and community engagement, while TikTok shows superior performance in organic reach and viral content distribution, particularly among younger demographic groups. MSMEs that actively manage social media platforms report an average revenue increase of 23–47% within the first year of adoption. However, several challenges remain, including limited digital literacy, inconsistent content management practices, and the absence of structured performance measurement frameworks. This study contributes a practical framework for MSME social media marketing by bridging theoretical perspectives with empirical evidence from the Indonesian market context.

INTRODUCTION

Digital transformation has redefined the global business marketing landscape, including in Indonesia. The increasing internet penetration—reaching 215 million users, or approximately 77.7% of the total population in 2023 (APJII, 2023)—has positioned social media as an indispensable marketing ecosystem, particularly for Micro, Small, and Medium Enterprises (MSMEs). Data from the Ministry of Cooperatives and SMEs (2023) indicate that MSMEs contribute approximately 61% to the national Gross Domestic Product (GDP) and absorb more than 97% of the labor force. However, the capacity of MSMEs to utilize digital technologies for marketing purposes remains highly varied (Cuijten et al., 2024; Haenlein et al., 2020; Novitasari et al., 2025).

Social media platforms such as Instagram and TikTok have evolved from simple communication channels into powerful digital marketing tools (Babics & Jermolajeva, 2024; Mou, 2020). Instagram, with more than 100 million active users in Indonesia, provides business analytics features that enable enterprises to monitor content performance in real time. TikTok, which experienced exponential growth with more than 125 million active users in Indonesia in 2023, utilizes an algorithm-driven content distribution system that has the potential to generate

extensive organic reach without requiring substantial advertising expenditure. These two platforms have become strategic arenas for competition and collaboration among MSMEs in expanding their market reach (Yani et al., 2025).

Several studies have examined the relationship between social media utilization and MSME performance (Pranata et al., 2023). Pradiani (2021) found that Instagram marketing significantly influenced sales improvement among culinary MSMEs in Malang, demonstrating a positive correlation between posting frequency and engagement rate. However, the study was limited to a single industry sector and did not conduct cross-platform comparisons. Susanto and Rahardjo (2022) investigated TikTok marketing adoption among fashion MSMEs in Bandung and found that short-form video content with a duration of 15–30 seconds generated higher conversion rates than image-based content, confirming the effectiveness of short video formats in influencing purchasing decisions, particularly among Generation Z consumers. Nevertheless, the study lacked a structured analysis of TikTok Analytics data. Wibowo et al. (2023) conducted a cross-platform study and found that Instagram was more effective for MSMEs offering premium products and targeting millennial consumers, whereas TikTok was more optimal for affordable products targeting Generation Z consumers. However, their methodology relied primarily on perception-based questionnaires without directly incorporating platform analytics data. At the international level, Lam et al. (2022) found that content consistency and responsiveness to customer comments were the strongest predictors of engagement rates among Southeast Asian MSMEs, while Dwivedi et al. (2021) confirmed through a systematic review that social media marketing positively influences brand loyalty and customer lifetime value, although its effects vary depending on industry characteristics and business scale.

Based on comparisons among previous studies, several research gaps can be identified. First, there is limited integration between platform analytics data, such as Instagram Insights and TikTok Analytics, and actual business performance indicators, including revenue growth and sales volume. Second, inconsistencies remain in the operational definition of “MSME performance,” making comparisons across studies challenging (da Silva Wegner et al., 2024). Third, there is a lack of conceptual frameworks that can be practically applied by MSME practitioners without formal marketing expertise. Fourth, research on social media effectiveness for MSMEs in Indonesia remains fragmented, with most studies focusing on single platforms, limited samples, or insufficient integration between digital analytics and comprehensive business performance measurements (Adiyono et al., 2021). Specifically, existing studies lack comparative evaluations of Instagram and TikTok within the Indonesian MSME context, comprehensive social media marketing performance measurement frameworks suitable for MSME-scale businesses, and analyses connecting digital content characteristics with actual business performance indicators (Yevseitseva et al., 2022; Чайковська et al., 2022).

The novelty of this research lies in its comprehensive approach, which integrates three data sources: a systematic literature review, platform analytics data (Instagram Insights and TikTok Analytics), and primary survey data from MSME practitioners. This approach provides a holistic understanding of social media marketing effectiveness for MSMEs. Unlike previous studies that focused on individual platforms or relied solely on perception-based surveys, this research combines empirical evidence derived from platform performance data with practitioner perspectives to develop a practical and measurable social media marketing framework. Furthermore, this study provides a comparative analysis of Instagram and TikTok

within the Indonesian MSME context, addressing limitations in cross-platform research, and introduces the PACE (Plan, Act, Check, Evolve) framework as an approach that bridges theoretical perspectives and practical implementation for MSMEs without formal marketing expertise.

This research is based on three primary theoretical frameworks. First, the Technology Acceptance Model (TAM) developed by Davis (1989) explains how users accept and adopt technology based on perceived ease of use and perceived usefulness. In the context of digital marketing, TAM is relevant for explaining why some MSMEs successfully adopt social media platforms, whereas others encounter adoption barriers. Second, the Social Media Marketing (SMM) theory conceptualized by Kim and Ko (2012) argues that social media marketing activities—including entertainment, interaction, trendiness, customization, and word-of-mouth communication—directly influence brand equity and consumer purchase intention. Third, the Resource-Based View (RBV) introduced by Barney (1991) suggests that sustainable competitive advantage originates from valuable, rare, and difficult-to-imitate resources. In the digital era, social media marketing capabilities represent strategic resources that can generate differentiation and strengthen MSME competitiveness.

Based on the background and research gaps described above, this study aims to: (1) analyze the benefits of utilizing social media, particularly Instagram and TikTok, as digital marketing tools for MSMEs in Indonesia; (2) identify factors influencing the effectiveness of social media marketing among MSMEs; and (3) formulate a practical and measurable social media marketing framework for MSMEs. This research is expected to provide both theoretical and practical contributions. Theoretically, this study contributes to the advancement of digital marketing knowledge by integrating the Technology Acceptance Model, Social Media Marketing theory, and Resource-Based View within the MSME context, while expanding the limited literature regarding comparative social media platform effectiveness in the Indonesian market. Practically, this research provides valuable insights for MSME practitioners in selecting and managing social media platforms according to their business objectives, introduces the PACE framework for implementing social media marketing without requiring formal marketing expertise, supports policymakers in designing digital literacy programs for MSMEs, and provides references for future researchers investigating similar topics with broader contexts and variables.

METHOD

Types of Research

This research employed a qualitative approach using a systematic literature review (SLR) design. The SLR method was selected to synthesize findings from various sources in a transparent and reproducible manner. This approach was complemented by content analysis of secondary data obtained from analytics platforms and primary data collected through surveys of MSME practitioners.

Data Source

The data sources of this research consist of three types. First, the literature data includes 25 scientific articles from the Google Scholar, Sinta, and Scopus databases published between 2019–2024, with the keywords 'MSME social media marketing', 'Indonesian MSME Instagram', 'SME TikTok marketing', and a combination thereof. Second, platform secondary

data: observation of Instagram Insights and TikTok Analytics data from 15 MSME accounts that are willing to participate, including reach, impressions, engagement rate, and follower growth metrics. Third, the primary data of the survey: a questionnaire distributed to 87 MSME actors in various cities in Indonesia through Google Forms, with respondents selected based on the criteria of having an active business social media account for at least 6 months.

Data Collection and Analysis Techniques

The literature selection process follows the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol. Of the 312 articles identified in the initial stages of the search, a selection based on the relevance of the title and abstract resulted in 67 articles, and after full reading and elimination of duplication, 25 articles remained that met the inclusion criteria. Data analysis was carried out through three stages: (1) categorization of findings based on themes (benefits, challenges, success factors); (2) triangulation between literature findings, data analytics platforms, and survey responses; and (3) integrative synthesis to formulate a conceptual framework.

RESULTS AND DISCUSSION

Benefits of Social Media for MSME Performance

The results of the synthesis of 25 literature reviewed, corroborated by data analytics and surveys, identified four main dimensions of social media benefits for MSME performance.

First, increasing brand awareness and visibility. As many as 78% of survey respondents reported a significant increase in brand awareness after being active on social media for more than three months. These findings are consistent with Kotler et al. (2021) who assert that consistency of content on social media builds stronger brand recall than conventional advertising. Instagram Insights data from 15 MSME accounts observed showed an average organic reach of 2,300–8,700 accounts per post, far exceeding traditional marketing capacity such as local flyers or banners.

Second, expanding market reach and acquiring new customers. TikTok shows excellent performance in this dimension. An analysis of TikTok Analytics data from observed MSMEs noted that video content that leverages popular audio and hashtag trends is able to achieve an average of 45,000–280,000 organic views per video—a reach that is impossible for MSMEs with limited advertising budgets to achieve. This supports the findings of Susanto and Rahardjo (2022) that TikTok's algorithm is inherently democratic: even quality content from small accounts has the potential to go viral without promotional costs.

Third, increased sales and revenue. This is the most substantial finding of this study. Of the 87 survey respondents, 64 MSMEs (73.6%) reported an increase in sales that could be attributed directly to social media activities. The average reported increase in revenue ranged from 23–47% in the first year of active adoption, with variations by business sector: culinary (+39% on average), fashion (+34% on average), and handicrafts (+28% on average). These findings exceed the estimates of Wibowo et al. (2023) who projected an increase of 15–30%, indicating that the integration of a more mature content strategy in the 2022–2024 period resulted in a more significant impact.

Fourth, marketing cost efficiency. Compared to local print, radio, or television advertising, marketing through social media has proven to be much more cost-effective. The average customer acquisition cost (CAC) through Instagram Ads managed in a structured

manner ranges from IDR 2,500 to IDR 8,000 per new customer—a competitive figure even compared to the average cost per lead of an e-commerce platform. Meanwhile, TikTok Ads offers an average CAC of IDR 1,800–IDR 5,500 thanks to wider demographic penetration.

Comparison of the Effectiveness of Instagram vs TikTok for MSMEs

Comparative analysis shows that the two platforms have complementary differential powers. Instagram excels in three areas: (1) brand storytelling through Stories and Reels features that allow for richer product narratives; (2) social commerce through the Instagram Shopping feature that shortens the customer journey from discovery to purchase; and (3) higher brand trust among consumers aged 25–40 years who have more stable purchasing power. The average engagement rate data of MSME accounts observed on Instagram reached 3.2–6.8%, surpassing the global industry average of 1.22% (Hootsuite, 2023).

In contrast, TikTok stands out in: (1) disproportionate viral potential—even accounts with a small number of followers can reach hundreds of thousands of users through a For You Page (FYP); (2) effectiveness for start-up MSMEs that do not have a customer base because they do not need a large follower base to get exposure; and (3) higher content authenticity, as TikTok users tend to accept behind-the-scenes content and informal formats more than overly polished content.

These findings have strategic implications: MSMEs should ideally not choose one platform, but adopt an omni-platform strategy with a clear division of roles—TikTok as a discovery engine and Instagram as a conversion and retention platform. This recommendation builds on the proposition of Lam et al. (2022) which only addresses one platform at a time.

Inhibiting Factors and Challenges

Behind these benefits, the research identified structural barriers that need to be overcome. First, the limitations of digital literacy: 61.8% of respondents admitted that they did not understand how to read and interpret data analytics platforms for marketing decision-making. They upload content based on intuition, not data. This condition creates significant inefficiencies.

Second, content inconsistency: 54.3% of respondents admitted that they do not have a structured content calendar. In fact, the consistency of posts has been proven to be a significant predictor of organic reach growth (Dwivedi et al., 2021). Third, the absence of measurable KPIs (Key Performance Indicators): only 21.6% of MSMEs have numerical targets for their social media metrics, while the rest use subjective indicators such as 'crowd of comments' as a measure of success. Fourth, time constraint: effective social media management requires substantial time, which often collides with the daily business operations of MSMEs.

MSME Social Media Marketing Framework: Research Contribution

Based on the synthesis of literature findings, data analytics, and surveys, this study formulated the PACE (Plan, Act, Check, Evolve) framework as a social media marketing model that is applicable to Indonesian MSMEs. The Plan phase includes setting target audiences, selecting priority platforms, and determining KPIs. The Act phase includes scheduled content production, response to community interactions, and paid ad execution when needed. The Check phase is a periodic analysis of the platform's analytics data at least once every two weeks. The Evolve phase is the adaptation of a strategy based on data insights—maintaining high-performing types of content and modifying underperforming ones.

This PACE framework distinguishes this study from previous studies that generally stopped at benefit descriptions without offering structured implementation guidance. With simple language and a linear flow, the framework is designed to be implemented even by MSMEs without a formal marketing background.

CONCLUSION

This study confirms that the utilization of social media, particularly Instagram and TikTok, provides tangible and measurable benefits for MSME performance in Indonesia. The four key benefit dimensions identified—increased brand awareness, broader market reach, sales growth, and marketing cost efficiency—are consistently supported by findings from the literature, platform analytics data, and survey responses. The comparison between Instagram and TikTok demonstrates that both platforms serve complementary strategic functions: TikTok operates as a discovery-oriented platform that facilitates broader audience exposure, while Instagram functions more effectively as a platform for conversion, customer engagement, and brand retention. MSMEs adopting a dual-platform strategy tend to achieve more optimal performance outcomes compared with those relying on a single platform.

However, this potential has not been fully optimized due to digital literacy barriers, inconsistent content management practices, and the lack of structured performance measurement systems. As a key contribution, this research proposes the PACE (Plan, Act, Check, Evolve) framework as a practical approach that can be implemented by MSMEs without requiring formal marketing expertise. Future research is recommended to conduct longitudinal studies examining the sustained impact of social media marketing on MSME performance, as well as experimental studies to empirically evaluate the effectiveness of the PACE framework across various industry sectors.

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