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The Impact of Digital Marketing and Marketplace Development on the Decline of Traditional MSME Income in Mlokorejo Village

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Abstract
Digital developments in this era provide easy access to transactions, unlike traditional MSMEs which still depend on the usual marketing strategies, so it is feared that it will have a negative impact on the community's economy. Using 36 MSMEs as a research sample, this study aims to find out in more detail the influence of digital marketing and marketplace developments on the decline in traditional MSME income in Mlokorejo village, Puger district. By distributing the survey and processing the data using SEM PLS, this study uses a quantitative methodology. Simple random sampling with the probability sampling method is the sampling strategy used in this study. The results of the study show that digital marketing has a positive and insignificant effect on the decline in traditional MSME income, while the marketplace has a positive and significant effect on the decline in traditional MSME income. This finding provides new insights into digital marketing which does not show a significant effect, while the marketplace has an effect on the decline in MSME income, and can be the basis for developing a more appropriate marketing strategy.

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INTRODUCTION

Digital developments, which are also accompanied by the rise of marketplaces or e-commerce platforms, provide easy access for consumers to transact without having to come directly to the store. Not only that, the variety of products and the many discount promos offered are increasingly tempting consumers. In contrast to traditional MSMEs in Mlokorejo village which is filled with people aged 40 to 60 years, who are unable to keep up with the existing developments. These traditional MSMEs still depend on the usual marketing strategies, in addition to the limited access and knowledge skills in utilizing digital platforms to reach a wider market. As a result, the competitiveness of

MSMEs with this traditional method has decreased and is increasingly left behind because they are unable to compete in reaching the market and it is difficult to follow trends to trigger consumer attraction, so that the products sold are less known and the turnover of business actors is declining. As a result, the decline in economic income for families or other groups is also affected and becomes a threat to the sustainability of economic activities in Mlokorejo village.

The development of digital marketing and marketplaces has become a social phenomenon that affects various aspects of the economy, especially for traditional Micro, Small, and Medium Enterprises (MSMEs). Although digital marketing offers new opportunities, many MSMEs have experienced a decline in revenue due to failure to adapt to these changes. (Nuraisyah et al., 2023) Unlike what happened in Malang district, digital marketing allows MSMEs to reach consumers more widely through online platforms such as social media and marketplaces. The use of social media as a marketing tool can significantly increase the sales volume of MSMEs and has proven to be more effective in increasing sales compared to traditional marketing methods.(Abidin Achmad et al., 2020)

The purpose of this study is to examine how the influence caused by the development of digital marketing and marketplace on the decline in income of traditional MSME actors in Mlokorejo Village. This research focuses on the different conditions faced by MSMEs in villages compared to those in big cities, considering the different challenges and opportunities in the context of digital marketing.(Krishna, 2024). The development of digital technology and market platforms has changed the way MSMEs operate. On the one hand, digital marketing provides an opportunity to expand market reach and increase sales. However, for many traditional MSME actors, especially in rural areas, this transition can pose new challenges. Several previous studies have shown that although digital marketing can increase MSME revenue, there are still many actors who have not fully utilized this technology due to limited knowledge and resources.(Namrud, 2021)

The assumption of this study is that digital marketing has a significant influence on the decline of MSME income in Mlokorejo Village, besides that this study will prove that marketplace and digital marketing have an impact on the income of the people of Mlokorejo Village in order to meet their needs. Because not all MSMEs have successfully adapted to this digital change. Many business actors still rely on traditional marketing methods and have difficulty competing with MSMEs that have taken advantage of digital marketing. Revenue decline often occurs when MSMEs do not adopt new technologies or do not understand effective ways to market their products digitally.(Arumsari et al., 2022).

Based on the above background, the author is interested in raising this problem in an article entitled "The Influence of Digital Marketing and Marketplace Development on the Decline in Traditional MSME Income in Mlokorejo Village".

RESEARCH METHOD

This research method uses a quantitative approach with the type of causal research results because it is to find out and prove the possibility of a causal relationship or a relationship affecting and being influenced by the variables studied. The population in this study is MSME actors in Mlokorejo Village which amounted to 40 people. Due to the unknown number of populations, in this study using sampling techniques, namely

probability sampling kind *simple random sampling* with the Slovin formula, namely $n = \frac{N}{1+N.e^2}$, with an error rate of 5%, which means that the number of samples used is 36 people. The data collection technique in this study uses a questionnaire with a liked scale. The data analysis of this study uses the *Partial Least Squares* (PLS) which is a model *Structural Equation Modeling* (SEM) with SmartPLS software version 3.0.

Operational Variable

The variables in this study include exogenous latent variables consisting of Digital Marketing (X1) and Marketplace (X2), as well as endogenous variables influenced by exogenous such as the Decline in Income of Traditional MSMEs in Mlokorejo Village.

FINDINGS AND DISCUSSION

Outer Model Testing

The data collected from respondents' answers to the research questionnaire were then analyzed using *Partial Least Squares* (PLS), which is one of the *Structural Equation Modeling* (SEM) models with SmartPLS software version 3.0. *The outer model* can be seen in the following image:

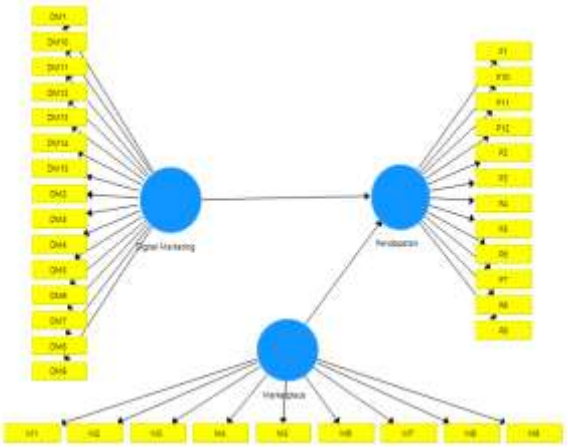

Figure 1. Research Model Design

Source : Data processed (2024).

Based on Figure 1, there are several invalid items, so the data transformation is carried out by deleting the results of the invalid questionnaire. Here are the results of the convergent validity test.

Convergent Validity *Testing*

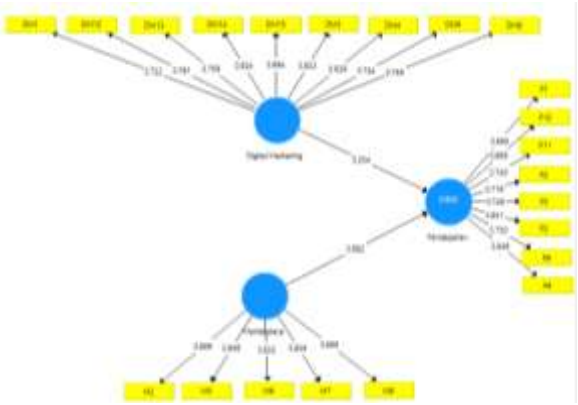

Figure 2. Preliminary Design of the Structural Model
Source : Data processed (2024).

The convergent validity test was carried out using SmartPLS Version 3.0 and was evaluated based on the loading factor value or AVE *(Average Variance Extract)* value of each indicator. An indicator can be considered to meet convergent validity and have a high level of validity if the value of outer loadings > 0.70. The validity of the construct was also evaluated on the condition that the AVE value > 0.50 to be declared valid.

Table 1. Convergent validity test

Variabel	Indicator	Outer Loading	Information	AVE Value	Information
Digital Marketing	DM1	0.722	Valid	0,624	Valid
	DM12	0.781	Valid		
	DM13	0.709	Valid		
	DM14	0.854	Valid		
	DM15	0.864	Valid		
	DM3	0.853	Valid		
	DM4	0.829	Valid		
	DM6	0.724	Valid		
	DM8	0.756	Valid		
Marketplace	M2	0,889	Valid	0,766	Valid
	M3	0,906	Valid		
	M6	0.832	Valid		
	M7	0.859	Valid		
	M8	0.889	Valid		
Income	P1	0.860	Valid	0,645	Valid
	P10	0.889	Valid		
	P11	0.740	Valid		
	P2	0.719	Valid		
	P3	0.749	Valid		
	P5	0.851	Valid		
	P6	0.750	Valid		
	P9	0.846	Valid		

Source : Data processed (2024)

Based on table 1, it can be seen that all indicators have *an outer loadings* value of > 0.70 and an AVE value of > 0.50. This indicates that all indicators meet the validity criteria, which indicates that the convergent validity of all those variables meets the standards of good. Overall, all of these measurement items are valid and reflect the measurement of the variables in this study.

Discriminant Validity *Testing*

The discriminant validity test was carried out using SmartPLS Version 3.0 and evaluated based on *the Fornell-Larcker* value criteria by comparing the AVE root (diagonal value) > the correlation value between constructs. Second, by looking at *the cross loadings value* of the construct indicator that is considered adequate if it reaches a minimum of 0.7 or by looking at *the cross loadings* value of each indicator in the construct and comparing it with the loading of the indicator in other constructs. The indicator must have a higher loading on the construct in question compared to other constructs to meet the discriminant validity criteria. The results of the discriminant validity test can be seen in the following table:

Table 2 Fornell-Larcker Value Discriminating Validity Test

Variabel	Digital Marketing	Marketplace	Income
Digital Marketing	0.790		
Marketplace	0.795	0.875	
Income	0.796	0.884	0.803

Source : Data processed (2024)

Based on table 2, it shows that not all *Fornell-Larcker* values in each indicator have a value greater than the value of other constructs (correlation) so they do not meet the criteria of discriminant validity. This indicates that the measurement item of each focus variable measures that variable and low measures the other variable.

Table 3. Discriminating Validity Test of Cross Loadings Values

Variabel	Indicator	Digital Marketing	Marketplace	Income
Digital Marketing	DM1	0.722	0.635	0.511
	DM12	0.781	0.594	0.564
	DM13	0.709	0.635	0.600
	DM14	0.854	0.688	0.758
	DM15	0.864	0.580	0.659
	DM3	0.853	0.872	0.734
	DM4	0.829	0.605	0.678
	DM6	0.724	0.442	0.629
	DM8	0.756	0.567	0.516
Marketplace	M2	0.821	0.889	0.816

	M3	0.630	0.906	0.887
	M6	0.699	0.832	0.654
	M7	0.636	0.859	0.711
	M8	0.700	0.889	0.757
Income	P1	0.489	0.780	0.860
	P10	0.695	0.792	0.889
	P11	0.496	0.711	0.740
	P2	0.887	0.678	0.719
	P3	0.682	0.515	0.749
	P5	0.603	0.711	0.851
	P6	0.507	0.702	0.750
	P9	0.724	0.743	0.846

Source : Data processed (2024)

Based on table 3, it shows that all indicators marked in red have a *cross loadings* value of > 0.70 and their values are higher than the values of other constructs (correlation) so that they meet the criteria of discriminant validity. This indicates that the measurement item of each focus variable measures that variable and low measures the other variable.

Reliability Test

Reliability tests measure the extent to which measurements are consistent and reliable, resulting in uniform data within the same measurements. To test reliability, it can be seen from the value *Cronbach's alpha, Composite realibility* (rho_a) and *Composite realibility* (*rho_c*) all values must be > 0.70 considered consistent or realiable.(Rosul & Hartono, 2024)

Table 4. Reliability Test

	Cronbach's Alpha	Composite Reliability	Value (AVE)	Information
Digital Marketing	0.924	0.937	0.624	Reliable
Marketplace	0.924	0.942	0.766	Reliable
Income	0.920	0.935	0.645	Reliable

Source : Data processed (2024)

Based on table 4, it shows that not all indicators have *Cronbach's alpha value,* and *Composite realibility (rho_c)* > 0.70 so it has inconsistent criteria. This illustrates the level of consistency or credibility of research instruments in measuring constructs that are not good.

Inner Model Testing

The data that had been collected from the respondents' answers to the research questionnaire was then analyzed *Partial Least Squares* (PLS) which is a *Structural*

Equation Modeling (SEM) model with SmartPLS software version 3.0. The inner model is seen in the following image:

Coefficient of Determination (R2)

The coefficient of determination (R2) indicates how much variation of the dependent variable can be explained by all independent variables. In general, to describe the strength of the model based on the R2 value (R-square) of 0.75 is considered strong, 0.50 is considered moderate, and 0.25 is considered weak. Therefore, the higher the R2 value (R-square), the better the prediction of the model and the better the proposed research model. The following are the results of the R2 (R-square) value obtained in this study:

Table 5. Test Coefficient of determination (R2)

	R Square	Adjusted R Square	Information
Income	0.804	0.790	Strong

Source : Data processed (2024)

Based on Table 5, it shows that the R-square value of the Revenue variable is 0.790 in the Strong criterion, which indicates that 79.0% of Marketplace can be explained by Digital Marketing and Revenue, while the remaining 21.0% is explained by other variables outside this research model.

***Goodness of Fit* (GoF)**

The *Goodness of Fit* (GoF) test is a test to show how much the level of feasibility and accuracy of an overall model is to validate the combined performance between the measurement model *(outer model)* and the structural model *(inner model)* whose value is between 0-1. The GoF value is obtained from the calculation of the average root of the AVE value multiplied by the average root value of the R-Square value (R2). The last is to look for *the Goodness of Fit* (GoF) value. The GoF value on PLS should be searched manually with the following formula. √GoF =√(AVE x R2), GoF small value = 0.1, medium GoF = 0.25 and GoF big = 0.38 (Nurhidayat et al., 2023).

Tabel 6. Uji *Goodness of Fit*

Variabel	Value (AVE)	R Square
Digital Marketing	0.624	
Marketplace	0.766	
Income	0.645	0,804
Mean Value	0,678	0,804
Mean Value of AVE*R Square	0,545	

Source : Data processed (2024)

Value *Goodness of Fit* = √0,545

GoF Value = 0,738

Based on table 6, the results of the calculation of the GoF value of 0.738 were obtained so that it was included in the criteria for a large GoF value. This illustrates the feasibility and accuracy of the model in this study has a high ability to explain empirical data.

Effect Size F2 *(Effect Size)*

F2 effect size *(effect size)* It is useful to understand the impact of dependent variables on independent variables, each variable is connected with a different effect size. It is sufficient if the value of f2 (f-square) > 0, and if f2 < 0 indicates that the variable has insufficient effect size. The value of f2 is 0.02; 0.15 and 0.35 indicate that the predictors of latent variables, when interpreted, have small, medium and large effects at the structural level.(Stuart P, 2022) The following results of the F-square value were obtained in this study:

Table 7. F2 test *(effect size)*

Variabel	Marketplace	Income	Information
Digital Marketing		0,121	Big
Marketplace		0,872	Big

Source : Data processed (2024)

Based on Table 7, it shows that the f-square value of the variable indicates that the value of the Digital Marketing variable has a sufficient effect size or an f2 value of > 0.121 indicates that the latent variable predictor when interpreted has a large effect, while the Marketplace value also has a sufficient effect size or the f2 value of > 0.872 indicates that the latent variable predictor when interpreted has a large effect.

***Q-Square Predictive Relevance* (Q2)**

Q Square predictie relevance (Q2) is a test that is conducted to show how well the value is generated as a validation of the model's predictive ability. The value describes the measure of prediction accuracy using a blindfolding procedure by looking at the Q-Square (Q2) value. A Q2 value greater than 0 or close to a value of 1 means that the prediction model has a relevant prediction.(Rehman & Al-Ghazali, 2022) A value of Q2> 0 indicates the model has predictive relevance, conversely if a value of Q2 ≤ 0 indicates the model lacks predictive relevance.

Table 8. *Q-Square Predictive Relevance* Test (Q2)

Variabel	SSE	Q^2 (=1-SSE/SSO)
Digital Marketing	126.361	0,532
Marketplace	53.644	0,642
Income	115.395	0,519

Source : Data processed (2024)

Based on Table 8, it shows that the value of Q-Square (Q2) of the Digital Marketing variable is 0.532, of the Marketplace variable of 0.642 and of the Revenue variable of 0.519 which shows that the value of Q-Square (Q^2) is > 0 and indicates that the model in this study has predictive relevance.

Uji Hypothesis

Direct influence hypothesis testing was evaluated by looking at the original sample values and t-statistics for direct influence. The test was carried out with *the bootstrapping* procedure on SmartPLS 3.0. Significance is considered achieved if the t-value is > 1.688 and the p-value < 0.05.

Table 9. Direct Effect Hypothesis Test

Variabel	Original Sample(O)	Standard Deviation	T Statistics	P Values	Information
Digital Marketing -> Revenue	0.254	0,347	0,730	0,466	Rejected
Marketplace -> Revenue	0.682	0,319	2,139	0,033	Accepted

Source : Data processed (2024)

Based on Table 9, it shows the values generated in the direct influence test which can be described as follows:

1. H01: The Influence of Digital Marketing on Revenue, has a coefficient *value (original sample)* of 0.254 (positive value), t-statistical value of 0.730 (<1.688), and p-value of 0.466 (<0.05). This indicates that the Digital Marketing variable does not have a significant effect on the Revenue variable (H01 = Rejected).
2. HA2: The Effect of Marketplace on Revenue, has a coefficient *value (original sample)* of 0.682 (positive value), a t-statistical value of 2.139 (>1.688), and a p-value of 0.033 (<0.05). This indicates that the Marketplace variable has a significant effect on Revenue (H2 = Received).

Discussion of Research Results

Digital Marketing to Revenue Decline

Based on the results of statistical analysis, it is known that the value of the coefficient (original sample) of the Digital Marketing variable to the decrease in revenue is 0.254, which shows a positive relationship between the two variables. However, even though the direction of the relationship is positive, the magnitude is very small, so the impact that Digital Marketing has on the decline in revenue is almost imperceptible. As for the t-statistical value obtained is 0.730 which is much lower than the critical limit of 1.688 (generally used at a significance level of 5% or 0.05). This low t-statistical value shows that the Digital Marketing variable does not have a strong enough influence to be said to be significant in the decline in revenue. Furthermore, the p-value of 0.466 (which is greater than 0.05) further strengthens this finding that the relationship between Digital Marketing and revenue is insignificant. This large p-value indicates that there is a high probability that the influence of digital marketing on revenue decline occurred by

chance or does not have a solid basis in the context of the population.

This means that there is enough evidence to indicate that there is a zero hypothesis (H0) that states that Digital Marketing has no effect on revenue decline. This indicates that in this study, the digital marketing aspect is not the main factor that affects the decline in the income of traditional MSME actors in Mlokorejo Village. Another possibility that can be considered is that the decline in the income of traditional MSMEs is more influenced by other factors such as fierce competition and the existence of imported products that offer more affordable prices and more varied products. Therefore, this study provides insight that although digital marketing may play a role in reducing MSME income, in the case of MSMEs in Mlokorejo Village, the effect is not significant.

Digital marketing has an influence on the decline in traditional MSME income, but the effect is not always significant. Although digital marketing can affect the decline in the income of traditional MSMEs that are still conducting transactions through face-to-face transactions between sellers and buyers, other factors such as the existence of marketplaces, a decrease in people's purchasing power or business inefficiency factors may play a greater role in the decline in traditional MSME income. Therefore, MSME actors need to consider a combination of various elements in order to be able to minimize or even prevent a decline in income in the midst of this digital era.

This result can be said to be relevant to MSME actors in Semarang City who choose to use digital marketing as a marketing tool for the products they offer because with the assessment of consumers it can improve the quality and income of MSME actors in Semarang City.(Hidayah, 2023) Through the consideration of several factors, this can be due to the great enthusiasm that encourages MSME actors to meet the needs of life so that a decrease in income does not occur by trying to adapt to existing changes through the support and involvement of the younger generation as a supporting factor in accelerating the adaptation process and increasing the effectiveness of digital marketing.

Marketplace against declining revenue

Based on the results of statistical analysis obtained from the influence test between income variables on the marketplace, there are several important points that can be discussed further. First, the value of the original sample coefficient of 0.881 indicates that income has an influence on the marketplace. This means that if an MSME is unable to adapt to these changes due to limited income, they will find it difficult to compete with other business actors who are more capable.

Coefficients close to 1 indicate that the relationship between these variables is very strong. Second, a t-statistical value of 24.961 which is well above the critical value (1.688) indicates that this result is very statistically significant. This confirms that the influence of revenue on the marketplace is not the result of chance, but there is a real relationship between the two variables. A high t-statistical value also shows that there is a significant difference between the average influence of income variables on the marketplace. Third, the p-value of 0.000 (<0.05) further strengthens this finding, as it is below the significance threshold of 0.05. This means that an alternative hypothesis (H2) is accepted, which suggests that income does have a significant influence on income.

Overall, these findings show that traditional MSME income is strongly influenced

by the use of *marketplace*. Although the market offers opportunities to increase sales, many traditional MSMEs have struggled to adapt to these changes, resulting in a decrease in their revenues. Several studies show that while the implementation of digital marketing can increase market reach, many MSMEs still face challenges in maintaining their revenue due to the inability to adapt quickly to changing consumer behavior in the digital age.(Rahmadyla & Nasrudin, 2023)

This study emphasizes that efforts to digitize the business processes of MSME actors, especially those who are still unfamiliar with technological developments and literacy in the use of applications *e-commerce* needs to be done, mainly by MSME actors themselves. So the study emphasizes that a deep understanding of digital literacy is very important in increasing people's income so that they are not left behind the flow of the times. This study provides a solid theoretical basis for further research on the factors that affect the decline in MSME income, especially for middle adults. Not all MSMEs in Indonesia are able to change their marketing patterns to digital marketing. Low educational background factors and lack of knowledge about the internet, development, and technology are the reasons for the lack of optimal use of e-commerce in MSMEs.(Asharudin, 2018)

CONCLUSION

This research shows that digital marketing has a positive but not significant influence on the decline in the income of traditional MSMEs in Mlokorejo Village. Although digital marketing can affect the decline in traditional MSME income, the influence is not strong enough or was not detected significantly in this study. On the other hand, marketplaces have a positive and significant influence on the decline in the income of traditional MSMEs. This indicates that literacy and the development of online trading platforms are able to influence the sales of MSME products in this study.

The suggestion for this research is that traditional MSME actors, especially in rural areas or markets, need to make efforts to digitize the business processes of MSME actors regarding the use of digital trading platforms. In addition to marketing through various social media, it is also necessary to have a deep understanding of the marketplace so that local MSME products are able to keep up with existing and current technological developments. This research is limited only to MSME actors in Mlokorejo Village which are dominated by middle adults.

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