

Business Digital Role for Sustainable Traditional Business: A Case Adapting Innovation in SMEs Batu Malang

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Abstract - Currently, the role of digital business has become an important part and even a major factor in maintaining business continuity. Businesses that cannot adapt to this trend are at risk of stagnation or even decline, including traditional businesses. Traditional business is a model that relies on old methods, such as direct consumer sales. This study uses a qualitative method with a data triangulation approach to evaluate the extent to which MSMEs in Batu Malang adapt to digital business innovations to maintain their business continuity. The results of the study indicate that MSMEs must immediately make improvements to support their businesses. One way is to utilize digital business, such as marketing through online platforms such as social media. In addition, monitoring social media related to trends and the needs of consumers and tourists is also needed so that businesses can meet customer desires. Other aspects are innovation, digitalization, and ease in the payment process. This finding is also supported by the fact that the trend of cashless transactions has become a new habit.

Keywords: Digital, traditional business, innovation, SMEs

I. INTRODUCTION

Amid the rapid development of the digitalization era which is now an integral part of everyday life, digital transformation has become a crucial factor in determining the continuity and sustainability of businesses, including for traditional business sectors operating in various fields. One sector that is quite prominent in this context is small and medium industries (SMEs), which often face significant challenges when trying to adopt digital innovations to increase their competitiveness and business attractiveness (Mannayong, 2024; Nurlaila, 2024).

In Batu City, located in Malang, Indonesia, the traditional business sector is beginning to feel the real impact of this change. Traditional businesses in this area, especially those operating on a small and medium scale, often face various obstacles in the process of adopting digital technology. Some of the main obstacles faced include a lack of knowledge and understanding of the necessary software, limited access to adequate digital infrastructure, and an inability to understand the true benefits of digital innovation itself.

Furthermore, technological advances have not only affected the business aspect but have also brought about major changes in human life as a whole. One of the significant changes that has occurred is the emergence of cyber consumers and cyber businesses, which have created broad opportunities for digital marketing. According to Wind and Mahajan (2002), the integration of employment potential from young workers who have a good understanding of technology, as well as an innovative and creative nature, is becoming increasingly important. Advances in information technology have also produced various new business models that are more socially friendly, known as sociopreneurs, as well as business models that are more technology-oriented, such as digital marketing (Santoso, 2012).

Along with that, consumer behavior patterns have also changed drastically due to technological advances. Consumers today tend to prefer shopping online, searching for product information via the Internet, and interacting with brands through various digital platforms. Traditional businesses operating in Batu, Malang, that do not utilize digital technology effectively, may face the risk of losing market share and significant profit potential.

Therefore, the role of digital in business sustainability is very crucial. In order for traditional businesses in Batu, Malang, to survive and thrive in the face of these challenges, they must be able to accommodate changes

in market trends and consumer behavior by adopting digital innovation. The integration of digital technology will not only improve operational efficiency, but also provide opportunities for businesses to reach a wider market share, increase brand visibility, and strengthen relationships with existing customers.

The importance of conducting in-depth case studies on the adaptation of digital innovation is no less significant (Latifah, 2024). Through in-depth case studies, we can learn how several traditional businesses in Batu, Malang, have successfully adopted digital innovation. These cases can provide valuable insights into the strategies implemented, the challenges faced, and the benefits gained from digital transformation for SMEs in this city. By understanding the challenges faced by traditional business actors in Batu in adopting digital innovation, as well as identifying the important role of digital technology in maintaining business sustainability, this study aims to explore the efforts to adapt digital innovation carried out by SMEs in the area. Through a comprehensive and in-depth case analysis, it is hoped that various effective strategies can be found to facilitate the digital transformation process for traditional businesses in Batu, Malang. Thus, these businesses can remain competitive and sustainable in this increasingly advanced digital era.

II. METHOD

This research was conducted in Batu City, located in Malang, East Java Province, which was chosen as the main location for data collection. The selection of this location was done intentionally, or what is commonly known as the purposive sampling method, by considering the specific objectives of the research as well as the relevance of the current novelty and context (Ainul, 2022).

In this study, the types of data required consist of two main categories, namely qualitative data and quantitative data. To collect this data, researchers used two main sources, namely primary data and secondary data. Primary data were collected through direct observation and in-depth interviews conducted with various related parties relevant to the research topic. Among the parties involved in this data collection are micro, small, and medium enterprises (MSMEs) operating in Batu City, as well as a number of consumers who use products or services from MSMEs in the area.

Meanwhile, to obtain secondary data, researchers rely on various literature related to the topic being studied. The data successfully collected in this study are mainly qualitative data. Analysis of the qualitative data was carried out with the aim of evaluating the suitability between policy documents issued by the central government and local governments. The results of this analysis are then presented in various forms, including descriptive descriptions, tables, charts, or images, which are designed in such a way as to facilitate readers' understanding of the aspects that are the focus of the research objectives (Amri, 2023; Subkhan, 2024; Taali, 2024). With this comprehensive approach, it is hoped that research can provide in-depth and accurate insights into the topic being studied, as well as contribute to the development of knowledge in relevant fields. As an additional research method, the limitations of this research can hopefully be improved in further study.

III. RESULT AND DISCUSSION

Digital business can be defined as a major transformation from conventional business to the modern digital era, which is inevitable in a world that is increasingly connected with technologies such as the Internet of Things (IoT), cloud-based services, and smart devices. The presence of digital business has forced all types of organizations, both large and small, to face new challenges in restructuring the way they operate, grow, survive, and compete in a digital environment. If organizations are unable to adapt, they risk facing natural selection in the business world, which can lead to destruction (Norliani, 2024; Latifah, 2024).

Digital businesses have several important characteristics that distinguish them from traditional business models. One of its main characteristics is agility, which requires companies to be responsive to market and regulatory changes that often occur quickly. In addition, speed is also a major factor, namely the ability to respond to consumer demand in real-time, especially when market conditions change dynamically and are easily affected. With this speed, organizations can minimize potential losses. Furthermore, innovation plays an important role, namely the ability of companies to continuously increase the value of the products or services they offer. This is important to drive increased sales, and customer loyalty, and provide significant competitive advantage.

The changes brought by digital business not only involve innovation in business processes but also force companies to adapt to new ways of interacting with consumers and business partners. The main difference between digital business and e-business is that digital business involves the complete integration of technology, people, and organizations that are intelligently connected. According to Chaffey (2015) in his book *Digital*

Business and E-commerce Management, digital business includes how technology supports all internal business processes and external interactions, including e-commerce involving the buying and selling process, and value chain management within the company.

With various existing definitions, it can be concluded that digital business is a form of business that develops through integrating digital technology into every aspect of the business, from sellers, and transaction processes, to consumers. Digital business allows companies to achieve things that were previously difficult to do with conventional business models, such as expanding markets globally and conducting transactions more efficiently. In digital business, transactions can be carried out directly or indirectly. These indirect transactions are known as digital transactions, which according to Britannica (Latifah, 2024), refer to the exchange of business documents such as orders and invoices, between suppliers and consumers using an electronic data interchange (EDI) system, which is very flexible in supporting electronic transactions.

MSMEs (Micro, Small, and Medium Enterprises) are an important sector in a country's economy. This sector contributes to creating jobs, encouraging a more equitable distribution of income, and acting as a driver of economic growth and national stability. Based on Law Number 20 of 2008, MSMEs are divided into three categories, namely micro-businesses, small businesses, and medium businesses. Each of these categories has its own criteria based on annual assets and income:

- Micro Business is a productive business owned by individuals or business entities with a maximum net worth of IDR 50 million (excluding land and buildings) or has annual sales of up to IDR 300 million.
- Small Business is a stand-alone business, not related to medium or large businesses, with net worth between IDR 50 million and IDR 500 million or annual sales between IDR 300 million and IDR 2.5 billion.
- Medium Enterprises are businesses with net assets between IDR 500 million and IDR 10 billion or annual sales between IDR 2.5 billion and IDR 50 billion.

These criteria can change along with economic developments and are usually regulated through Presidential Regulations.

MSMEs usually compete with a more specific focus and narrower market segments compared to large companies. This competition is not only seen in the types of products offered, but also in pricing strategies, production costs, and manufacturing capabilities. The main value of MSMEs often lies in the quality of their design and production, speed in product delivery, and flexibility and responsiveness to customer needs. The simpler organizational structure of MSMEs, with fewer layers of management, allows for closer interaction between employees and quick response to market changes. This makes MSMEs more innovative and flexible in facing the dynamics of competition business (Mannayong, 2024).

Sustainability in business comes from the word "sustain," which means to continue, and "ability," which means ability. In a business context, sustainability reflects the ability of a business to survive and continue operating in the long term by utilizing natural resources wisely. This concept assumes that the business will continue to exist and be able to grow in the future. Business actors must strive to achieve their business goals, increase company value, and ensure business continuity through sustainable strategies and innovations (Subkhan, 2024).

The problems faced by MSME actors in maintaining the sustainability of their businesses are mainly related to strengthening management. Management is the art and science of managing resources to achieve predetermined goals. Several factors that influence the sustainability of MSMEs include aspects of capital, marketing strategy, utilization of technology, and human resource management. With proper management, MSMEs can continue to survive and even grow amidst dynamic economic changes (Mannayong, 2024).

The benefits of business sustainability include:

- Increasing profits: Business sustainability is highly dependent on environmental sustainability. Businesses that protect the environment can benefit from utilizing local resources.
- Increased productivity: Business sustainability is often associated with simplifying production processes, which contributes to cost reduction and increased efficiency.
- Quality human resources: Good human resource management, with the development of employee skills and abilities, creates a competitive and high-performing workforce.
- Energy efficiency: Continuously evolving technology supports business sustainability through online marketing, automation of production processes, and computer-based financial accounting.

In 2024, Batu City's MSME products experienced a significant increase in the market. This is inseparable from the easing of export restrictions that were previously imposed in 2021, which reduced the volume of MSME product exports. MSME products that have succeeded in penetrating the export market include tempeh chips, fruit chips, and drinks made from apples and strawberries. In 2023, the city government is targeting Batu City's export value to reach 20 billion rupiah. To realize this, the government needs to enact new regulations that facilitate the

export of local products, with main export destination countries such as Singapore, Brunei Darussalam, Malaysia, and other neighboring countries.

IV. CONCLUSION

The results of the study indicate that micro, small, and medium enterprises (MSMEs) need to immediately take various improvement steps to maintain the sustainability and competitiveness of their businesses amidst the increasingly rapid changes in the business landscape. One of the main strategies that must be adopted is to utilize digital transformation, especially through the use of online business platforms. Marketing through social media, such as Facebook, Instagram, and TikTok, is an effective step to reach a wider consumer base and increase brand visibility. In addition, it is important for MSMEs to actively monitor developments in social media trends, in order to understand the needs and preferences of consumers and tourists. A good understanding of these trends allows them to respond quickly and adjust products or services to what customers want. Not only in terms of marketing, innovation is also a key factor for the success of MSMEs. They need to continue to innovate in terms of products, services, and business models to stay relevant in a changing market. Digitalization of business processes, from operational systems to customer service, must also be improved to ensure better efficiency and customer satisfaction. In addition, ease of payment systems is an important factor that must be considered. With the growing trend of cashless transactions, MSMEs need to provide various digital payment options, such as electronic wallets (e-wallets), payments via QR codes, and online bank transfers. This is important because the cashless trend has now become a new habit in modern society, especially among the younger generation and tourists. By combining innovation, digitalization, and digital marketing, as well as following the developing payment trends, MSMEs are expected to be able to adapt well in the digital era, maintain competitiveness, and achieve better business sustainability in the future.

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