



Drivers and Barriers to Digitalization: A Case Study of Micro-Sized Culinary Businesses in Nusa Dua, Bali

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ABSTRAK

Badung is one of the significant areas in the province of Bali, and of course, Nusa Dua has the best tourism in Badung Regency. Besides tourism, Nusa Dua also has many job opportunities. Of course, many universities or educational places, with the existence of MSMEs Go Digital, make it easier for them to meet their needs practically. The theory used in this study is the leading theory of the marketing mix. In addition, there is the industrial revolution 4.0 in the digital era, MSMEs Go Digital, digital leadership, and talent management. The method used in this study is qualitative and includes 10 sources, namely 5 MSME owners and five customers from each of the MSMEs. The results of this study indicate that the five MSMEs in Nusa Dua have not implemented Go Digital because they do not understand digital technology or are not digitally literate, most of the MSMEs do not know how to promote to social media and MSME owners who are engaged in the culinary sector also do not know how to manage their MSMEs into the Go Food or Grab Food application, Suggestions for MSME owners to change their mindset and want to learn to have the desire to find out about how to implement Go digital in their business. In fact, it is easy for MSME owners to find information on how to use Go Digital, which can be done by asking their closest relatives, who are younger or more millennial, about implementing Go Digital.

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1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a significant role in Indonesia's economy. MSMEs are productive businesses owned by individuals, groups, or small enterprises. MSMEs are classified based on their assets and annual turnover as follows:

Table 1. Classification of MSMEs Based on Assets and Annual Turnover

Business Category	Net Assets	Annual Turnover
Micro Business	Up to Rp. 50 million	Up to Rp. 300 million
Small Business	Between Rp. 50 million - Rp. 500 million	Between Rp. 300 million - Rp. 2.5 billion
Medium Business	Between Rp. 500 million - Rp. 10 billion	Between Rp. 2.5 billion - Rp. 50 billion

Micro businesses are individually owned, with assets up to Rp. 50 million. These are commonly found in small shops, street vendors, and similar setups (Moch, 2022). In today's digital era, many MSMEs have transitioned to digital business operations. "Go Digital" refers to the use of digital technology to run businesses online. This shift is crucial as digital technology offers significant benefits, such as easier and faster communication, wider marketing reach, and cost-effective distribution channels.

With the advent of social media and e-commerce, MSMEs can now reach broader markets efficiently. Digital marketing, using social media, plays a pivotal role in boosting sales, enabling MSMEs to thrive in the competitive market. Additionally, adopting digital methods, such as offering digital payment systems (e.g., GoPay, Dana, Ovo, QRIS), ensures convenience for consumers (Mariska, 2023). Besides marketing, product innovation and personalization of services are vital for MSMEs to stay relevant in the digital age (Innay, 2023).

For MSMEs to go digital, they must also incorporate features like online stores or websites, which can increase visibility and attract more customers (Mariska, 2023). A digital presence enhances professionalism, broadens market reach, and minimizes market loss.

According to Ade Syah Lubis, the CEO of Niagahoster, "Go Digital" is a concept that emerged in the 2000s with the rise of computers and the internet. It involves adopting digital technology in business operations,

moving from paper-based to computer-based systems. He also emphasized the need for a mindset shift among MSME owners, from business-centric to customer-centric, to meet the needs of modern consumers.

In Badung, especially in Nusa Dua, MSMEs have yet to fully embrace digital transformation, despite the potential benefits. Nusa Dua, being a major tourist destination, presents a unique opportunity for MSMEs to engage with both domestic and international tourists. Therefore, facilitating digital access for these businesses can drive significant growth. According to I Made Widian, Head of the Badung Cooperatives, MSME, and Trade Department, the potential of digital tools and MSME creativity should be maximized to compete in the national and international markets (Yakub, 2022).

2. METHOD

This study employs a qualitative research approach, which is ideal for exploring complex phenomena that cannot be easily measured quantitatively. According to Sugiyono (2017), qualitative research is focused on understanding social phenomena through the collection of descriptive data, such as narratives, observations, and interviews. In this research, data were obtained primarily through interviews with key informants, which included MSME owners and customers, as well as direct observations conducted at the research sites. Secondary data were also utilized, including relevant literature and previous studies on MSME digitalization in Badung, Bali.

The study adopts purposive sampling to select participants who are directly relevant to the research focus. Specifically, five MSME owners and five customers from each MSME were chosen based on their business operations, digital adoption, and their engagement with MSME services in Nusa Dua. The MSME owners were involved in different sectors, such as culinary, retail, and service businesses, and represented micro-enterprises according to local regulations.

Data collection was carried out using a combination of methods. Observation was conducted on-site at the MSMEs in Nusa Dua to assess their operations, the digital tools employed, and interactions with customers. Interviews were also conducted with both MSME owners and customers. These semi-structured interviews were designed to explore the owners' awareness of digital technology and their challenges in implementing it in their businesses. Customer interviews focused on their preferences and experiences with MSMEs in the digital context. Documentation was reviewed to gain further insights into the businesses' operations and their level of engagement with digital tools such as payment systems and online marketing.

The research was conducted in Nusa Dua, specifically in Desa Adat Bualu and Desa Adat Kampial, two areas known for their concentration of micro-businesses and tourism-related activities. These locations were selected because they reflect the challenges and opportunities faced by MSMEs in a prominent tourist region like Nusa Dua, where digital transformation could enhance the businesses' accessibility and customer reach.

Data were analyzed using thematic analysis, a method suitable for identifying and interpreting patterns within qualitative data. After transcribing the interviews verbatim, the data were coded to categorize key themes such as digital literacy, adoption barriers, and customer expectations. This analysis allowed the researchers to gain a deeper understanding of the factors influencing MSMEs' digital transformation and the impact on their business performance.

3. RESULT AND DISCUSSION

The results of this study reveal significant insights into the challenges and opportunities faced by MSMEs in Nusa Dua as they attempt to integrate digital technologies into their operations. The findings from interviews, observations, and literature suggest that while MSME owners acknowledge the importance of digital tools, several barriers prevent them from fully embracing digitalization.

3.1 Barriers to Digital Adoption

One of the primary barriers identified in this study is digital illiteracy among MSME owners. Many owners, particularly those above the age of 40, have limited understanding and experience with digital tools. For instance, Pak Kenok, the owner of Warung Bakso Pak Kenok (established in 2013), expressed that although he recognized the benefits of digital technologies like GoFood and QRIS, he felt disconnected from these tools due to his limited knowledge of them. This lack of digital literacy was prevalent across all the MSMEs observed in Nusa Dua. As many owners are accustomed to manual transactions and traditional marketing methods, transitioning to digital platforms seems daunting.

Moreover, time constraints also played a significant role in preventing the adoption of digital tools. Many MSME owners mentioned that their daily responsibilities, such as managing operations, cooking, or attending to customers, left them with little time to explore and implement new technologies. Mas Hadi, the owner of Warung Martabak & Terang Bulan (established in 2012), admitted that while he saw the value in integrating GoFood into his business, he did not have the time to learn how to operate the platform, leading him to rely on traditional methods of marketing.

3.2 Opportunities in Digital Transformation

Despite the barriers, the study also highlighted several opportunities for MSMEs to benefit from digitalization. MSME owners, including Ibu Amin (the owner of a water refilling business), acknowledged that implementing digital payment systems such as QRIS could make transactions more efficient and enhance the customer experience. As digital payment methods are becoming more common in everyday transactions, MSMEs that adopt these tools could become more competitive in the digital era.

Furthermore, the study showed that social media marketing offers significant opportunities for MSMEs to expand their customer base. Several customers, including Dwipa and Dio, expressed how much they appreciated businesses that promoted their products through platforms like Instagram or Facebook. These customers emphasized that digital marketing could make MSMEs more visible, particularly to younger, tech-savvy customers who primarily interact with businesses online. This finding aligns with the growing importance of digital marketing in the current era, where consumers are increasingly turning to online platforms to discover products and services.

3.3 The Role of Digital Leadership

The concept of digital leadership also emerged as a critical factor in the adoption of digital tools among MSMEs. According to Sulhan (2023), digital leadership involves using technology to drive business operations and meet organizational goals. Several MSME owners in this study, including Ibu Amin and Mas Hadi, lacked the necessary leadership skills to manage their businesses digitally. This lack of leadership resulted in hesitation to adopt new technologies and a reliance on traditional methods.

However, some owners, like Mas Hadi, recognized the need for a mindset shift from a business-centric to a customer-centric approach. As Ade Syah Lubis (CEO of Niagahoster) mentioned, embracing digital tools requires MSME owners to prioritize customer needs and adapt to the changing market dynamics. MSME owners who adopt a customer-centric mindset and digital leadership will be better positioned to succeed in the digital era.

3.4 Marketing Mix in the Digital Age

The findings also revealed that while MSME owners understood the importance of marketing mix components such as product quality, pricing, and location, they struggled to leverage digital marketing tools to enhance their business outreach. For example, Warung Bakso Pak Kenok and Warung Martabak & Terang Bulan still used traditional word-of-mouth methods for promotion. While these methods are effective within their immediate community, they limit the ability to attract a broader customer base.

The lack of digital marketing strategies such as social media advertising, SEO, or integration into platforms like GoFood and GrabFood was identified as a key weakness in their marketing efforts. These businesses had not yet adapted their marketing mix to include digital strategies, which is essential for reaching a wider audience in today's competitive market. The absence of online marketing tools prevents MSMEs from fully tapping into the potential of digital platforms that could significantly increase their visibility and customer engagement.

4. CONCLUSION

This study has explored the digitalization of micro-enterprises (MSMEs) in Nusa Dua, Badung, focusing on the barriers and opportunities that MSMEs face when adopting digital technologies. The research findings suggest that while MSME owners are aware of the potential benefits of going digital, many face significant challenges such as limited digital literacy, time constraints, and a traditional business mindset that favors manual processes. The study revealed that MSMEs in Nusa Dua are still predominantly reliant on face-to-face transactions and word-of-mouth marketing, which limits their ability to reach a wider customer base.

Despite these barriers, the study also identified numerous opportunities for MSMEs to thrive in the digital era. Digital tools, such as online payment systems like QRIS and platforms like GoFood and GrabFood, could significantly enhance operational efficiency, improve customer service, and expand market reach. MSME owners who shift from a business-centric to a customer-centric mindset and embrace digital leadership could better adapt to market demands and improve their competitiveness.

Furthermore, digital marketing strategies, including social media promotion, are vital for MSMEs to stay relevant and engage with a broader audience. Although many MSME owners are not yet utilizing these tools, the awareness and potential for growth are evident. With appropriate training, support, and a willingness to embrace new technology, MSMEs in Nusa Dua can overcome their current limitations and fully capitalize on the opportunities digitalization offers.

In conclusion, the digital transformation of MSMEs in Nusa Dua is a crucial step for their long-term sustainability and growth. It is recommended that MSME owners invest in digital literacy, embrace customer-focused digital strategies, and seek opportunities to integrate their businesses into the digital ecosystem. By doing so, they will be better equipped to compete in an increasingly digital world and ensure their business's continued success.

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