

Hidden Cost Marketing: Descriptive Analysis of Digital Marketing Strategies and Creating Branding for MSMEs

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ABSTRACT:

This research aims to see how MSME businesses can ultimately apply digitization in their marketing activities so that it is expected to strengthen the branding of a product. It is also intended to see the implications that occur for hidden costs or costs that often arise and are unexpected when marketing their products. This study uses a quantitative analysis methodology with a population of 520 SMEs in Bandung with various business categories and who already have business licenses. Data were collected using questionnaires and interviews with MSMEs from field analysis and it shows that MSMEs are still the driving force of the economy in the city of Bandung, despite experiencing obstacles during the 2020-2021 outbreak. Good opportunities can be captured to implement digital marketing, as evidenced by the emergence of brand-new local brands that are much sought-after or increasingly recognized products from MSMEs with a wider range. The results of the analysis state that in the last two years, MSME players have maximized the implementation of digital marketing to produce a strong brand and reduce costs that often occur when marketing is carried out directly, especially hidden costs that are not included in business accounting calculations. So, marketing carried out by implementing digital marketing is effective in building a strong brand and reducing hidden marketing costs.

Keywords :

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1. INTRODUCTION

Thinking of change is always in line with the resulting impact, both planned changes and changes resulting from phenomena that occur such as epidemics or socio-political conditions Business sector is the sector that captures most of the changes that occur due to its nature as a driving force for the economy, both on a broader and a narrower scale. Entrepreneurs are faced with situations that require them to take action changes to maintain the continuity of their business, lifted from the lives of MSME actors where they are actually of the national economy who are directly impacted by a change. They must be prepared with insight from a business strategy as MSME actors are familiar with various types of training aimed at increasing their capabilities as entrepreneurs to welcome change. Changes have occurred, especially in marketing activities, as there is a changed form of digital. What should be an opportunity for MSME players to face the obstacles that occur to pursue consumers so that the intent of their marketing activities is conveyed, is the strengthening of branding so that competitiveness will be stronger. In the journal *"The effect of digital marketing transformation trends on consumers' purchase intention in b2b businesses: the moderating role of brand awareness"* (Hien & Nhu, 2022), it is stated that transforming digital marketing can affect the nature of buyers in the decision to explore the brand that has a relationship between digital marketing and purchasing decisions. The pandemic also has effects on social media marketing behaviors in India (Mason et al., 2021).

There are differences in the behavior of using social media in determining a purchase. The application of digital marketing can be a moderator in changing these behaviors. The transformation of a company in increasing efficiency and effectiveness can provide an overview or view of the costs that must be incurred to carry out company activities and maximize profits and can rebuild processes. Existing businesses in MSME (Peng & Tao, 2022), show that rebuilding the channels of marketing activities in MSME can be easier in the condition that MSME actors can accept and decide to implement digital marketing. It can also help bring their consumer population together with a market distribution that can be wider, as mentioned in the previous study (Wertalik, 2017). For this reason, this study aims to see the effect of using digital tools with an emphasis on hidden costs as a strategy that will help businesses achieve more cost efficiency.

2. LITERATURE REVIEW

Previous research discussed digital capabilities that can affect company performance only by mastering technology (Heredia et al., 2022). There is a result that the use of digitalization in the economy with low HDI has a more significant indirect effect on company performance than in countries with a higher HDI. For developing countries, such as Indonesia, with an HDI level of 72%, it allows mastery of the digital economy which influences the mindset of MSME actors in determining their business decisions so that it can affect the performance of the MSME itself. "The important role of customer bonding capability to increase marketing performance in small and medium enterprises" by Ida Bagus et al. (2022) is a reference material for MSME actors to examine how marketing performance can be improved through customer engagement. The bond that began with the rapid dissemination of information and facilitated by digital media is a good choice for MSME business actors. In the journal entitled *"Exploring YouTube marketing communication: brand awareness, brand image, and purchase intention in the millennial generation"*, media or digital platforms such as video appearances

on YouTube can build a strong brand and lead to purchasing decisions (Febriyantoro, 2020). In a previous study entitled *"When luxury goes digital: does digital marketing moderate multi-level luxury values and consumer luxury brand-related behavior"* (Khan et al., 2022), brands contribute value by using technology that is right to winning their competitive advantage with the assumption that the emotional bond with the brand is influenced by an application of digital marketing values (functional, individual, and social).

Hidden quality costs or hidden costs are costs incurred as product quality matches consumer expectations, for example, costs arising from consumer dissatisfaction with product quality, product delivery, or product damage and thus reducing our market share (Hansen & Mowen, 2007). Research on cost marketing in the journal *"Switching costs, customer satisfaction, and their impact on marketing ethics of medical schemes in South Africa, an enlightened marketing perspective"* (Mofokeng, 2020) describes the concept and the measurement of the effect of costs impact, as well as the classification by type and the positive and negative impacts of personal relational cost harm and loss benefit cost on customer satisfaction, which, in turn, has a negative impact. By mastering technology and understanding the digital economy that is applied in MSME businesses, it is hoped that it will become a new paradigm that the driving force of this economy can apply digital marketing which will be able to influence the strength of a brand and reduce large costs by subsidizing hidden costs. Further, it is in the sense that these hidden costs are not greater than the costs that are replaced, for example, the cost of renting a shop becomes the cost of developing e-MSMEs. The next impact is that there are hidden costs or hidden costs in changing this business strategy. It is related to the additional costs incurred with an intensity which is said to often have unexpected costs as a result of this change in marketing techniques. The question is whether it is beneficial for MSME actors or will it only disrupt the finances and capital of MSME actors who are struggling to keep pace with rapid changes. Digital helps accommodate MSME players in changing their marketing strategy or business model (Reim et al., 2022). Thereby, connecting one activity by cutting long lines of marketing activities becomes more efficient and effective. From research on hidden costs entitled *"The impact of hidden costs on production and operations"* (Bhushan et al., 2017), it is implied that the total costs cannot be separated from the hidden costs of production and their fixed costs. It was found that hidden costs cannot be eliminated, but efforts to reduce hidden costs are worth trying for MSME actors. Hidden costs usually change and stay in the important part. The impact is when the allocation of direct funds will not be able to be effective in solving hidden costs. In the article which mentions that digital implementation is a way to reduce hidden costs because of switching marketing styles, it can be concluded that the presence of digital marketing will make it easier for the emergence of new branding which of course is questionable about the existence of quality products sold digitally through hidden cost benchmarks or quality costs or customer satisfaction costs.

The thoughts that have been described will become a formulation of how MSME actors in Bandung regarding the impact of digital marketing and brand building have implications for hidden costs, which will always exist in a business company, both on a large and small scale. Therefore, digital influence marketing that has been implemented in the last six months shows increased sales and what are the implications for hidden cost management in these MSMEs.

3. METHODS

This is an overview of MSME actors in Bandung who are managed by Bandung City Cooperative Service during the pandemic and endemic era from 2020 to 2022. They have prepared a strategy to win the competition by shrewdness in entering the market and playing a reliable marketing role using digital means. It can be represented from the MSME graph that they have implemented digital marketing to reach consumers obtained at the beginning of the data analysis as follows:

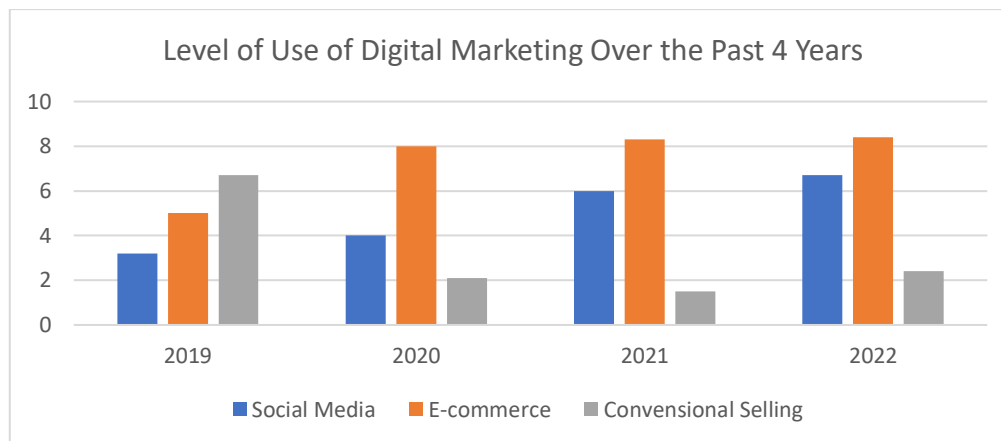


Figure 1. Use of social media in 540 SMEs in Bandung
Data Source: Processed

Analyzing the behavior of MSME actors on several occasions at a digital transformation training held on campus illustrates that the interest in the sustainability of MSME businesses that are transitioning digitally is very high, as evidenced by the training participants who reached 540 out of four training periods during 2020-2021. For this reason, the UMKM population in the city of Bandung that is used with a sample with a 90% confidence level gets a sample of 181 rounding out of 181,112 of the 540 populations collected. The data are analyzed using a quantitative description method based on independent and dependent variables, where digital marketing is the variable that influences brand strengthening MSME products that have implications for the hidden costs that are formed.

The stage in this data analysis is to make a data tabulation of the results of a questionnaire survey which will show the use of digital marketing with various platforms that represent brand placement or positioning. It also investigates the implementation of digital marketing and whether it contributes to reducing the hidden costs that are usually formed. In this study, data analysis is carried out using SPSS tools and measuring a variable using existing instruments in a study and the next step is to look for relationships between variables and other variables. In the case of MSMEs, there are three variables, namely the application of digital marketing (X_1), building strong branding (X_2), and hidden costs (Y). Some indicators are measured by an ordinal scale as shown in the following table:

Table 1. Operational Variables

Variable	Indicator	Scale
Application of Digital Marketing	Product Price Promotions Place	Scales
Building Branding (Miller, 2017)	Maker Image User Image Product Image	Scales
Hidden Cost (Hansen & Mowen, 2007)	Sales rate Consumer satisfaction Market share	Scales

The previous research (Bhushan et al., 2017) identified various elements and causal factors of general hidden costs in production and linked their impact to the total product cost. Hidden costs cannot be eliminated, but they can be reduced. This is what makes the basis of research with the following hypothesis: the influence of variables X1 and X2 on Z means that the more digital marketing is implemented and the strengthening of branding, the smaller the hidden cost in Bandung's SMEs is.

4. RESULTS AND DISCUSSION

To answer the research objectives entitled *"The Impact of Digital Marketing Implementation on Strengthening Branding Which Has Implications for Hidden Costs"*, the first marketing activity for MSME actors in Bandung is to look at the connectedness of the application of digital marketing and the position of branding of its products, as well as how the impact is generated on the costs incurred. The tabulated data shows that the more digital marketing is implemented and the strengthening of branding occurs, the more hidden costs incurred by MSMEs in Bandung will be reduced. Therefore, the statistical analysis results regarding this phenomenon are formulated by answering questions composed of several hypotheses.

To test the validity of each variable, a comparison of R tables and R calculations is carried out for each variable indicator X1 (implementation of digital marketing), and X2 (building branding). It is known from the calculation results that R Table is greater than R count, so the measuring instrument used is accepted (R Table > R count) and as a result is:

Test the Validity of X1, namely the application of digital marketing

X11 $0.716 > 0.1459$, then the measuring instrument used is valid

X12 $0.730 > 0.1459$, then the measuring instrument used is valid

X13 $0.602 > 0.1459$, then the measuring instrument used is valid

X14 $0.689 > 0.1459$, then the measuring instrument used is valid

Test the validity of X2 (Creating Branding), namely building Strong branding.

X21 $0.830 > 0.1459$, then the measuring instrument used is valid

X22 $0.817 > 0.1459$, then the measuring instrument used is valid

X23 $0.563 > 0.1459$, then the measuring instrument used is valid

Table 2. Correlations X1 (Digital Marketing)

		X ₁₋₁	X ₁₋₂	X ₁₋₃	X ₁₋₄	X ₁ TOTAL
X ₁₋₁	Pearson Correlation	1	.564 **	.143	.202 **	.716 **
	Sig. (2-tailed)		.000	.056	.006	.000
	N	181	181	181	181	181
X ₁₋₂	Pearson Correlation	.564 **	1	.128	.245 **	.730 **
	Sig. (2-tailed)	.000		.085	.001	.000
	N	181	181	181	181	181
X ₁₋₃	Pearson Correlation	.143	.128	1	.471 **	.602 **
	Sig. (2-tailed)	.056	.085		.000	.000
	N	181	181	181	181	181
X ₁₋₄	Pearson Correlation	.202 **	.245 **	.471 **	1	.689 **
	Sig. (2-tailed)	.006	.001	.000		.000
	N	181	181	181	181	181
X ₁ TOTAL	Pearson Correlation	.716 **	.730 **	.602 **	.689 **	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	181	181	181	181	181

** . Correlation is significant at the 0.01 level (2-tailed).

Table 3. Correlations of X2 (Creating Branding)

		X ₂₋₁	X ₂₋₂	X ₂₋₃	X ₂ _Total
X ₂₋₁	Pearson Correlation	1	.644 **	.167 *	.830 **
	Sig. (2-tailed)		.000	.025	.000
	N	181	181	181	181
X ₂₋₂	Pearson Correlation	.644 **	1	.132	.817 **
	Sig. (2-tailed)	.000		.077	.000
	N	181	181	181	181
X ₂₋₃	Pearson Correlation	.167 *	.132	1	.563 **
	Sig. (2-tailed)	.025	.077		.000
	N	181	181	181	181
X ₂ _Total	Pearson Correlation	.830 **	.817 **	.563 **	1
	Sig. (2-tailed)	.000	.000	.000	
	N	181	181	181	181

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

To analyze the effect of an application of digital marketing and strong branding which has implications for hidden costs, a linear multiples regression test is carried out to see that two X variables affect variable Z. With the assumption that the regression model is normally distributed, and a linearity test is carried out on each variable X1 and X2 on variable Z partially, another requirement is to avoid multicollinearity and heteroscedasticity. For this reason, it can be seen from the linear regression analysis with the results, namely: examining the results of the data analysis. The influence of digital marketing and branding on the hidden costs must be incurred by MSME actors in Bandung. By interpreting and describing the F test and its determination coefficient, it can be seen which variable has the most

effective effect on the hidden cost variable. It is denoted in column F with the number 189.315 and a significance of 0.000, then H1 which means that digital marketing and branding variables have a joint effect on the hidden costs that must be incurred by MSMEs in Bandung.

Table 4. ANOVA

	Model	Sum of Squares	Df	MeanSquare	F	Sig.
1	Regression	1190916	2	595,458	189,315	.000 ^b
	Residual	559,869	178	3.145		
	Total	1750,785	180			

a. Dependent Variable: H_COST

b. Predictors: (Constant), C_BRANDING, D_MARKETING

To test and prove that these two independent variables individually influence the hidden cost level of MSME actors in Bandung, the significant values in the coefficients table are compared to the condition that the significant value here is less than the possible value of 0.5. So, the two variables each influence the level of hidden costs of MSME actors in Bandung. As well as a comparison of the calculated T value with the T table where the T table owned with df worth 179 is obtained at 0.1459, the digital marketing variable has a t Count of 8.830 > from the t table, which is equal to 0.1459 as well as for branding, it has a value of 5.251 > T The table. So that H2 is accepted, each variable influences variable z or the level of hidden costs for MSME actors. The application of digital marketing is the dominant factor in influencing the reduction of hidden costs for MSMEs in Bandung, with a higher T count than C Branding's T count.

Table 5. Coefficients^a

		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	std. Error	Betas		
1	(Constant)	901	.449		2005	046
	D_MARKETING	.468	053	.552	8,830	.000
	BRANDING	.334	.064	.329	5,251	.000

a. Dependent Variable: H_COST

The findings of previous research corroborate the results of the analysis that has been carried out that the classification of hidden costs and the ability to turn them into visible costs is very important (Bhushan et al., 2017). In relation to the use of digital tools and brand strengthening, the results of data analysis also show that hidden costs, such as the cost of complaints from consumers, can be reduced. The results of a survey conducted by MSME actors to see consumer satisfaction with their brand and digital marketing to their consumers, displaying a good brand image of MSME and product quality that is not reduced even though it is marketed through digital marketing does not result in many complaints about damage to goods, loss goods at the time of delivery of goods or even eliminating existing consumers or in marketing language. Thus, it is called the market share. This is due to the reason that one of the opportunities created by the world of digital marketing is the ease of using digital marketing applications that are already available so that integration of

quality values occurs. It also means that this application already provides delivery services that can be trusted, easy payment methods, and complaint handling which is the reason MSME actors choose to implement digital marketing, and indirectly strengthening branding will be more widespread in the market that is not fenced off by the coverage area. So, the cost of unexpected costs will be much less. The existing hypothesis has been proven that the more MSMEs market their products by implementing digital marketing and paying attention to strengthening branding, the lower the unexpected costs such as the cost of reproduction or the cost of replacing consumer complaints in the sense that the H1 and H2 hypotheses are accepted.

Theoretically, the marketing concept relates to the idea that the marketing mix for a product must pay attention to the product elements of price, place, and promotion (Kotler, 2012). This is very true as the presence of digital marketing as the dominant variable that has an influence will change the unexpected costs of cutting costs which will erode the reserves of funds and even the profits of MSMEs who still have medium to low cash flow. Changing product concepts with elements of trust regarding product quality, changing prices that can compete without having to reduce quality standards, as well as changing places to sell also influence strengthening branding because the reach of consumers is unlimited. Thus, the promotion will be cheaper and more effective. A study conducted by the Harvard Business Review shows that hidden costs can be in the form of time and labor costs required to repair or address problems associated with poor product or service quality. These costs can increase production costs significantly whereas a study by Stanford University shows that hidden costs can occur in new technology investments, such as training costs, maintenance costs, and operating costs. These costs can be hidden because they are not always visible in the initial budget (El Hamshary et al., 2022). From the research examples above, hidden costs can occur in a variety of contexts and can have a significant impact on business decisions and economic activity. Therefore, identifying and reducing hidden costs becomes very important for the success of a project or business, as the average marketing costs in consumer companies reach 11% of the company's total revenue. These marketing costs include advertising, promotion, sales, and market research costs. From the research examples above, it can be concluded that marketing costs can vary depending on the industry and company size. However, in general, the company's marketing costs reach around 10-20% of the company's total revenue (Greenberg et al., 2019). This refers to the references generated from the results of previous research that there is almost the same suitability by a focus on the right target market and by understanding who the target of the market is. It can be done better by adjusting the marketing strategies and maximizing effectiveness as it will help minimize unnecessary costs.

On the other hand, social media can be an effective and relatively inexpensive way to promote products or services. It can be used to build brand awareness, expand product reach, and interact with customers. Another aim to produce informative and useful content is to attract the attention of potential customers and increase brand awareness. Good content can also help build authority in the industry. In relation to collaboration with partners, working closely with relevant partners can help expand reach at lower costs. It is also about collaborating with partners to co-create content, host joint events, or host joint promotions. Last, regarding the ROI analysis, performing a return on investment (ROI) analysis can help understand the effectiveness of marketing strategies and decide where to focus marketing resources for better results.

The results of this study are in line with the results of research conducted that the existence of MSME marketing activities that implement digital marketing will be stronger in creating product brands as the gaps seen from the results of data analysis and previous research are analysis of hidden costs from MSME marketing activities. The implementation of digital marketing will further reduce hidden costs and it is hoped that MSME actors in Bandung will be able to make decisions in making changes to the strategy used in their business. The limitation of these findings is on the limited calculation of the details in calculating the existing costs as a form of accounting reports from SMEs in Bandung.

5. CONCLUSION

The need for good planning for MSME actors in managing their activities is a compulsive form of MSME. It can be a specific strategy in various conditions that can turn a threat into an opportunity from the point of view of exploiting this threat. It can be a gap in opportunity that, with creative thinking and innovation, the MSME actor can effectively help to reduce the business burdens that exist in their activities, especially when MSMEs need a transition that results from unexpected or unexpected events.

Digital marketing is carried out as a form of strategy realization to build a strong brand image added with digital marketing variables are the most potent factor in determining the emphasis on hidden costs, which are concentrated on the quality of products marketed digitally. It must provide consumer satisfaction to avoid the costs of complaining that will arise. In addition, MSME actors in Bandung should apply more marketing assisted by the existence of e-commerce to expand consumer reach and obtain convenience in transactions and in obtaining easy delivery of their products. The convenience obtained increases the value of an MSME product image, so maintaining brand strength can be a reason for MSMEs to reduce their hidden marketing costs. From this analysis, it can be concluded that the measurement of hidden cost marketing is a new way of analyzing marketing strategy with digital marketing and robust branding implementation techniques, which can be used as a benchmark for marketing activities and whether their marketing strategy will be more effective and efficient. Suggestions for research development can be found about the level of customer satisfaction that makes transactions with digital marketing as well as more real accounting calculations to examine the impact of implementing digital marketing on MSME financial analysis. It is also expected that there will be research development that is more focused on building a solid brand seen from an emphasis on fixed costs to provide a reference for MSMEs to carry out effective and efficient marketing strategies.

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