Promotion and Product Marketing Models of Small and Medium Enterprises (SMEs) through E-Commerce

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Abstract
This study was aimed to obtain creative industries SMEs potentials developed in Cimahi, determine creative industries that could be prioritized as a market leader, obtain ideas of they behaved in utilizing the internet and E-Commerce, and acquire concept models through E-Commerce marketing. The method used was Comparative Descriptive, Experimental research, and Applied research. The study technique used three approaches (1) Library research (Desk Study); (2) Participatory Rural Appraisal (PRA) Approach, Focus Group Discussions (FGD) and (3) Survey (interviews and observations). The objects of this research were creative industries SMEs businessmen in Cimahi. This research was conducted in 2012. The results showed the profiles of SMEs businessmen were mostly university and senior high school graduates. The potentials of SMEs business in Cimahi were independent business potentials, production inputs, facilities, development potentials, and the government policy implementation shows that most businesses in Cimahi were in potentials category. Additionally, the creative industries SMEs also had good potentials. The SMEs businessmen’s understanding of the use of the internet and E-Commerce still varied. They were not fully familiar with using the internet marketing process; necessary steps for socializing the internet and E-Commerce were needed.

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Keywords: Promotion, Marketing, Creative Industries SMEs, the Internet, E-Commerce

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1 Introduction

Small and Medium Enterprises (SMEs) in Cimahi mainly creative industries SMEs had strategic roles in overcoming the poverty and unemployment problems. However, SMEs were facing many problems to develop. The main problems were the less conducive business environment, low access to capital, and limited access to market. The choice of strategies and policies to empower creative industries SMEs in developing Cimahi was necessary to support the continued development and guarantee the sustainability of SMEs to provide people with jobs, develop and balance their incomes (Biro Pusat Statistik Kota Cimahi, 2011, Dinas Koperasi UKM, Perindustrian dan Perdagangan Kota Cimahi, 2011, Kementerian dan Koperasi, 2004).

The existence of globalization along with the fast growing technology forced SMEs to adapt to utilize it to develop the SMEs business. One of the opportunities that could be exploited was E-Commerce to promote and market SMEs products of Cimahi. Electronic Commerce (E-Commerce) supported the improvement and development of a company thoroughly. E-Commerce encouraged a company to make use of all the available resources. Among all those resources, E-Commerce stressed on management in marketing the products to achieve the target. This was because E-Commerce could transform the form of service in which customers have to directly come a place or make a phone call into an online service that provides service anytime anywhere to simplify all transactions, Kotler (2009). Research Objectives: (1) To obtain creative industries SMEs potentials developed in Cimahi, (2) To determine creative industries SMEs that could be prioritized as a market leader, (3) To obtain the ideas of how creative industries SMEs behave in utilizing the Internet and E-Commerce, (4) To obtain the analysis results on the efficiency and effectiveness of creative industries SMEs product promotion and marketing through E-Commerce.

2 Literature Study

E-Commerce is one of the activities of marketing using internet as its media. In this case, E-Commerce can be commercials that were equipped with purchase facilities for consumers who were interested. E-Commerce has three advantages which are wide range, plenty of product information provided, and easy access for consumers. The advantages of E-Commerce are widely shown by the presence of Figures, videos, and sales service that enable a two way communication between producers and consumers (Yihefizer, 2008). The history of E-Commerce development in the world began from the emergence of internet that continues to grow until the development of E-Commerce. In the beginning, internet was a computer operation that did not belong to anyone. Internet was born in 1969 when a group of researchers in US Defence Department that worked closely with four computers in UCLA, Stanford Research Institute, University of Utah, and University of California in Santa Barbara. This connection was set to create network of communication on government projects. Thwas network was known as ARPAnet-ARPA which meant Advanced Research Project Agency that was part of the department. According to Jarot (2009). The main characteristics of E-Commerce are (1) Transactions between two parties, (2) Exchange of products, service, or information, (3) Internet as the main medium in the trade mechanism is divided into two segments which are Business to business E-Commerce (trading between businessmen) and Business to consumers E-
Commerce (trading between businessmen and consumers). Utilization of information technology in running a business is often known as E-Commerce that enables small Enterprises to give product flexibility, to provide fast deliveries of softwere products, to accelerate in receiving and sending orders efficiently, and to support no-paper transactions. The development of the internet enables SMEs to market their products globally to achieve the global market. According to Internet World States, in 2005, there were 972,828,001 (almost a billion) internet users in the world and about 16 millions internet users in Indonesia. Most users came from USA and Canada which reached 68,2% of their citizens. A positive impact from the internet to develop a business are: (1) to develop product promotion and service through direct contact, with plenty if information, and interactions with consumers, (2) to create a way of product distribution, (3) the cost of sending information to consumers were lower compare to the use of package or postal service, (4) the time needed to receive or send information is really short, within minutes or even seconds (M. Suyanto, 2005). The implementation of E-Commerce in Indonesia still faces a lot of technical and non-technical problems that require total cooperations between government, E-Commerce developers, businessmen, and consumers. The advantages of the technology applied in the form of innovation in small medium enterprises are its flexibility, dynamic and responsive. But there are also disadvantages related to cost and the source of its own technology. This condition is the cause of problems within the company. But the problems arouse depend on the level of the company Thomas, Miller, Murphy (2011 ). Currently, the government appealed that technology is used as a way to deliver the company on a higher level of competition, especially when it can be implemented on small enterprises (Thomas, Miller and Murphy, 2011). Small business because of their lack resource and crucially the time and expertise available to larger business. According to Thomas, Miler and Murphy (2011:6) the adoption of more basic technological innovation are used to improved existing business practise. Critical to whether small business technology adoption is evolutionary or revolutionary will be down to how they manage inward technology transfer. By using the technology, information can spread very fast. The implementation varies depend on the type of industry. After realizing that the technology is very important, especially in small and medium enterprises, the consequence is using the technology as a base in every operation. So the socialization of technology for small and medium enterprises must be very intense, given that initially the company may be very simple and not using advanced technology. Technology-based small medium enterprises will condition suppliers and consumers to use the technology, too. Currently, technology can make the transfer process with various parties easier, especially in communication with various parties. Besides, it is easier to control the process undertaken by the company (Thomas et. al, 2011 ). The good implementation of technology by company that is used for communication can be done formally or informally, depending on the relationship among parties. The better technology means the better relationship among parties particularly suppliers, distributors, and consumers. The study conducted by Waczuch, Braven and Lundgreen, (2000) on small enterprises in the Netherlands reveals that small enterprises adopting the internet, have different access speed comparing to other parties, particularly bigger companies. Sometimes, the differences of technology basis used by these enterprises and their partners cause difficulties. A number of small companies in the Netherlands feels that they are greatly helped in various things by internet. For example, they are able to perform benchmarking by viewing the performance of their competitors, exchange inter office documents and access the government and trade organization data. Thus, designing
website for e-commerce is important. The result argues that a successfull website may be developed by professional agents who can design a website which is compatible with the customers needs. To support the success of small enterprises in running business with the use of website, the implementation of E-Commerce becomes the right choice. There are 3 categories of E-Commerce itself, namely consumer-oriented commerce, business to business commerce and intra organizational business. From the study, it is known that business to business commerce is the most successful one because the biggest segment in this market is business market. Yet, there are obstacles in implementing E-Commerce particularly the start up cost, the unfamiliarity with the web, and lack of guidance about how to start the process. But the most extreme condition concerned by the company is the on-line security. Sometimes, the concern about this obstructs the productivity in the company. Of course, it is not easy for small medium enterprises to solve this problem. Another related study is the one conducted by Moodley (2003), who conducts a research about the use of E-Commerce on small furniture enterprises in South Africa. It is said that international timber companies use internet in running their business and trading with all the customers. In this study, it is said that small enterprises grow rapidly and could reach all segments in the world. On the other hand, the small enterprises not using E-Commerce do not run optimally, especially when it comes to value chain. Compare to big companies with well-built network, these small companies are forced to use E-Commerce to compensate the current market. Sometimes, E-Commerce becomes a little bit difficult for small enterprises because of its low scale of business, the lack of resources and the limited ability in identifying and working with consumers and suppliers abroad. The study by Moodley (2003) has something in common with this research in terms of condition, whereas the background of the small enterprises in entering international market is the similar characteristics of companies and conditions of country with limited local market, so the probability to sustain is quite low, in addition to high unemployment, low economic growth and unpromised local market. Seeing a good potential in international market, these small enterprises in South Afrika tries to enter the international market. The result of Moodley study proves that it is not easy to do transition from conventional market to E-Commerce. The concerns over the barriers become the obstacles to success. The barriers include the limited understanding about E-Commerce among the timber furniture entrepreneurs, the relationship among management that is not so close psychologically that finally closes the orientation in the way of thinking, the lack of E-Commerce infrastructure, skill and capabilities, as well as the entrepreneurs ability in implementing E-Commerce strategy and the investation cost included in developing E-Commerce strategy. According to Wu, Zhang, Xing, Dai and Du (2007), China’s economy continues to grow rapidly over the last decade. China has had to develop its service sector if China wants to sustain this growth. E-Commerce adoption in China’s service industries are still lacking and are limited. So far they found that most of China’s service small and medium enterprises are still at the early stage of adopting E-Commerce. There is an obvious E-Commerce divide between eastern China and Western China. Cloete, Courtney and Fintz (2002) also support this study. They conducted a study about small medium enterprises in Cape Town South Africa that adopts E-Commerce for the benefits of the companies. And it is closely related with this study which is conducted in Cimahi City. Cloete et. al (2002) argue that E-Commerce used by small enterprises in Cape Town gives a lot of improvement for the small medium enterprises. They also realize that E-Commerce is very beneficial, but not all small enterprises adopt E-Commerce. It is because of the general obstacles faced by these small medium enterprises. The enterprises
that are able to implement E-Commerce could compete with big companies. E-Commerce implemented by small enterprises use the tools which enable the users to operate it easily.

Based on studies of Moodley (2002) and Waczuch, Braven and Lundgreen (2000), it is said that there are a number of factors for E-Commerce to be adopted by the consumers. It their studies, Cloete et. al argue that factors affecting consumers to adopt E-Commerce are owner’s characteristic, organizational characteristics and contextual characteristics. Owner and organization of companies who are very aware of technology tend to success. In addition, Pflughoeft, Ramamurthy, Soofi, Ardekani and Zahedi (2003) support other study about the benefits of information technology to small business where the study is conducted in United State. The study result proves that Web use is very useful for their businesses, such as the email that could connected with E-Commerce including financial transaction. Other potenions used from the Web are the ability to communicate internally and externally, share data, seek information about customers, suppliers and competors, and provide customer service and vendor support.

Other study supporting this study of E-Commerce is the one conducted by Daniel, Wilson dan Myers (2002) who argues that some small enterprises in the United Kingdom adopt internet and E-Commerce to facilitate easiness for companies, suppliers, consumers and employees. This utilization of internet is used optimally by parties related to the company, including online ordering and paying. This condition is relatively diffrent from what happens in Thailand, which belongs to developing country. Although small enterprises put effort on their business, the adoption of E-Commerce is relatively slow. So, in fact the results of these studies show that information technology, E-Commerce and Web are devices that give positive effects because they make it easier to control and faster to proceed. Some studies are conducted in developing countries such as South Africa because small businesses exceed in developing countries and that small businesse in South Africa is enough to help the country’s economy. On the other hand, small businesses also develop well in develop countries because they support big companies. Small enterprises may consider haw far E-Commerce would be implemented in the company referring to is advantages and disadvantages. There are a lot of small businesses experience difficulties in accessing technology. It is true that acces to technology performed by small businesses will be realized when the combinations of the innovators are very solid, besides a good network among small entreprenuers in realizing such technology (Thomas, Miller and Murphy, 2011). Based on the above literature review, it was decided to use the following methods Comparative Descriptive, Experimental research, and Applied research. The study technique uses three approaches (1) Library research (Desk Study); (2) Participatory Rural Appraisal (PRA) Approach, Focus Group Discussions (FGD) and (3) Survey (interviews and observations). The objects of this research were the creative industries SMEs businessmen in Cimahi. This research was conducted in 2012.

3 Main Results

3.1 Creative Industries SMEs Profile

The creative industries SMEs businessmen tended to be young aged between 30 to 40 years old with 41% of businessmen were below 30 years old which was a good trend.
Businessmen aged 50 years and above reach 23%, some of them were normally established businessmen and some were people with experience from their previous workplace. Generally, the businessmen were at their productive age. With this age trend, it was expected that the role of the young generation to adopt and utilize the information technology would be faster. The percentage of the businessmen in Cimahi who had a bachelor degree was 25%, with 24% of high school graduates, 16% of Diploma 3 program graduates, and 6% of Diploma 1 program graduates. Therefore, the level of understanding the internet was good. Because the higher the education level, the better the level of understanding the development of internet was. This fact showed that the opportunities to utilize the internet to support their business were very promising.

Most of these businessmen started their business with their own initiative which was 93% of them, while only 2% continued the business started by a group or a family. The form of business run would impact on the company management system. For the management of a running company, the businessmen who did it themselves were 78% of SMEs while 17% of businessmen involved their families. This showed that creative industries SMEs in Cimahi were privately managed and still micro and small business.

3.2 Creative Industries SMEs Potentials

The evaluation standard of each commodity potential used the Indonesian Bank (BI) Standard which was divided into 3 criteria, very potential, potential, and less potential. This evaluation was based on condition and marketing prospect, business potentials, production input, development potentials, and implementation on the government policy in developing the economy. These factors were the categorized into B (good), C (fair), and D (not good) based on the total scores of the variables. There were 20 (twenty) products that were analyzed which were expected to represent products from Cimahi in general. The analysis results of the product potentials were shown on Table 1.

<table>
<thead>
<tr>
<th>No</th>
<th>Products</th>
<th>Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Semprong Cakes Business</td>
<td>Potential</td>
</tr>
<tr>
<td>2</td>
<td>Flavoured Bandrek Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>3</td>
<td>Cassava Chips Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>4</td>
<td>Dried beef Business</td>
<td>Potential</td>
</tr>
<tr>
<td>5</td>
<td>Banana Chips Business</td>
<td>Potential</td>
</tr>
<tr>
<td>6</td>
<td>Batik Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>7</td>
<td>Embroidery Business</td>
<td>Less Potential</td>
</tr>
<tr>
<td>8</td>
<td>Moslem Fashion Business</td>
<td>Potential</td>
</tr>
<tr>
<td>9</td>
<td>Gamelan Carving Business</td>
<td>Potential</td>
</tr>
<tr>
<td>10</td>
<td>Wood Carving Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>11</td>
<td>Lantern Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>12</td>
<td>Calligraphy Business</td>
<td>Potential</td>
</tr>
<tr>
<td>13</td>
<td>Painted Head Scarf Business</td>
<td>Less Potential</td>
</tr>
<tr>
<td>14</td>
<td>Printing Business</td>
<td>Potential</td>
</tr>
<tr>
<td>15</td>
<td>Video Game Service Business</td>
<td>Potential</td>
</tr>
<tr>
<td>16</td>
<td>Interned Rental Business</td>
<td>Potential</td>
</tr>
<tr>
<td>17</td>
<td>Web Service Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>18</td>
<td>Animation and Filming Business</td>
<td>Potential</td>
</tr>
<tr>
<td>19</td>
<td>Photography Business</td>
<td>Very Potential</td>
</tr>
<tr>
<td>20</td>
<td>Recoding Service Business</td>
<td>Potential</td>
</tr>
</tbody>
</table>
Based on Table 1, the evaluation showed that the businesses in Cimahi were mainly in Potential and Very Potential, while less potential were only in two products which were embroidery and painted hear scarf businesses.

3.3 The Priority of Creative Industries SMEs

In realizing the vision of Cimahi to be a Cyber City, the selection of the leading business was crucial because not all business could be developed in Cimahi. Therefore, the development of business needed to be prioritized on business with both competitive and comparative advantages so that the products could compete regionally, nationally, and globally. The selection of priority products used Hierarchy Analysis Process. There were three products taken from each selected leading business, which were: (a) Culinary business that included cassava chips, flavoured bandrek, and semprong cakes, (b) Fashion business that included Muslim fashion business, batik, and embroidery businesses, (c) Craft business that included decorated glass, gamelan, and lantern businesses, (d) Design business that included calligraphy, printing, and painted head scarf businesses, (e) Multimedia business that included animation and filming service, photography, service, and recording industry businesses, (f) Information Technology business that included web service and E-Commerce, video game service, and internet rental. The business that was prioritized had the highest priority of income and welfare criteria of 29.59%. Second, the market and marketing criteria were 25.14%; third the distinctive criteria was 13.28%; fourth competitive advantage was 12.14%; fifth technology criterion was 10.91%; sixth comparative advantage was 5.36% and seventh environment criterion was 3.57%. The income and welfare criteria also needed to be prioritized in developing creative industries SMEs in Cimahi. The analysis results showed that the prioritized commodity were chips, Muslim fashion, decorated glass, printing, animation and filming service, and web service and E-Commerce businesses.

3.4 SMEs Businessmen’s Understanding of Internet and E-Commerce

SMEs businessmen’s knowledge and understanding of internet and E-Commerce influenced the use of internet and E-Commerce as the facility to support and develop their business. 34% of SMEs businessmen understood, 31% did not really understand, and 16% fully understood. SMEs Businessmen’s Comprehension of Internet and E-Commerce was presented in Figure 1.
According to Table 1, the SME businessmen in Cimahi mainly understood and fully understood the internet and E-Commerce. However, the businessmen were in doubt about on-line transactions using the internet. This means that internet was still not fully used to develop their business. The level of internet use by SMEs businessmen was presented in Figure 2.

Based on Figure 2, it was shown that most of SMEs businessmen did not maximize the use of internet for their business. This showed that SMEs businessmen in Cimahi had not used the on-line transactions optimally. They were not aware of the use of internet for their business. According to the above, the comprehension of a new technology (internet and E-Commerce) required certain stages before SMEs businessmen could accept and apply it. The time period between each stage was not fixed (depending on the characteristics of the technology, characteristic of the target, physical and social environment, and activities done by the agents of change). The stimulus and response theory stated that the acceptance of a new technology process was one of the forms of response towards an accepted stimulus and very much relies on the benefit or reward expected. While the speed and size of the response depends on: (a) The size or amount of benefits the bigger or the more the benefit; the bigger or more benefit that will be accepted, the faster and positive the response will be, (b) The speed of benefit receive and...
gap time between response given and benefit that will be received; the faster the coming of a benefit, the faster and more positive the benefit will be, (c) The frequency of benefit receives; the more often a benefit is received, the response will be faster and more positive, (d) The size of energy or effort used; the bigger the effort (time, money, energy, etc) used the lower and more negative the response will be.

3.5 Effectiveness and Efficiency of Marketing through E-Commerce

Promotion and marketing through the internet had been recognized by creative industries SMEs businessmen in Cimahi, about 30% of them have promoted through the internet. However, around 49% of them had been doing their promotion through the use of flyer and brochures while 14% of them use printed media. Electronic media like TV and radio reached below 10%. The complete facilities that the businessmen used to promote their products were presented in Figure 3.

![Figure 3: Graphic of Facilities Used for Promotions by SMEs](image)

According to Figure 5, a small percentage of businessmen realized the importance of internet to promote their products. However, it was not common to use on-line transactions; only 13% of the businessmen use online transactions. This was caused by their limited knowledge and worry to do on-line transactions. Direct transactions were highly used as they reach 68% of transactions as presented in Figure 4.

![Figure 4: Graphic of Transaction Methods of SMEs Products](image)

The percentage of businessmen who did not use the internet was 79% and they did not use the internet promotion and or on-line transactions because there were not any resources to do it or they do not know how to use the internet for business. 12% of businessmen...
believed that they still did not need the internet because they were unable to make big productions. Although the on-line infra structure in Cimahi was not a big problem and many WASP (Internet Service Provider) were operating in Cimahi area, only 5% of respondents believed that the infra structure of the internet was still poor because many geographical areas were not covered by WASP. 3% of respondents still considered about doing business through the internet. The details were as follows:

According to Figure 5, there was a tendency that the SMEs businessmen did not use on-line marketing because they do not how on-line marketing works. This showed the limited knowledge and understanding of internet and E-Commerce which would influence the use of internet as a facility to on-line marketing. The effectiveness level of internet to improve product marketing was good compare to not using the internet. 28% of SMEs businessmen believed that the internet was an effective way to promote and market their products while 14% of businessmen think the internet was effective. 13% of businessmen felt that the internet was not going to make any difference while 17% of businessmen believed that the internet was less effective and not effective. Nevertheless, 25% of SMEs businessmen still were not aware of the use of the internet to promote and market their products. This was caused by the majority of the businessmen still did not use on-line transactions for their business, therefore did not get the real advantages. The levels of E-Commerce Efficiency for promotion and product marketing of SMEs products were presented in the following Figure.

35% of the SMEs businessmen believed that it more effective to use the internet. On the other side, 29% of the businessmen were not aware of the efficiency level. On the other hand, 29% of businessmen were not aware of the efficiency level of the internet. This was
mainly caused by the fact that they did know the comparison of efficiency between using and not using the internet. The efficiency level of the internet was presented in the following Figure.

![Figure 7: Graphic of the efficiency level of the E-Commerce Marketing](image)


The illustration above showed that the level of internet use by SMEs businessmen to market their products was still low. This was due to the fact that most businessmen had very limited knowledge and understanding on the benefits and use of the internet to market their products, they believed that it was not necessary to use the internet for the time being because they were still worried about the disadvantages of the internet and it was not necessary to use the internet to market their products. However, the SMEs businessmen who used the internet and E-Commerce to promote and market their products believed that the use of internet was more effective and efficient.

### 4 Conclusions and Suggestions

Based on the formal education level, the profiles of SMEs businessmen were most of them were university and senior high school graduates. They were at their productive age, had more that five years of business experience, most businesses had legal permits, the company was personally owned, and the management was done personally and by family members. Additionnaly, the potentials of SMEs business in Cimahi based on the marketing aspect were independent business potentials, production inputs, facilities, development potentials, and the government policy implementation showed that most businesses in Cimahi were in potentials category. The types of business that needed to be developed based on the field of business were chips business, Muslim fashion, decorated glass, printing, animation and filming, web and E-Commerce businesses. On the other side, The SMEs businessmen’s understanding of the use of the internet and E-Commerce still varied, the majority of them understand the benefits of using the internet and E-Commerce to promote and market their product. However, most of the methods had not been fully implemented due to the lack of facilities, low techniques to use the internet and E-Commerce, and the businessmen believed that it was not necessary to use the internet or E-Commerce to market their products. Lastly, the effectiveness level of the internet use to market their products was more effective compare to transactions without using the internet or E-Commerce. Therefore the suggestions necessary for these matters are for
the SMEs businessmen who do not utilize the use of the internet were encouraged to use the internet to gain effectiveness and efficiency in marketing their products, gain more knowledge and learn more skills about the internet, and try to get better facilities in order to utilize the use of internet and E-Commerce to market their products. Furthermore, the government of Cimahi is expected to facilitate the SMEs businessmen with easy access internet and E-Commerce, hold training and asswistance to introduce the internet and its applications to promote and market the SMEs products.

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