

PalArch's Journal of Archaeology of Egypt / Egyptology

ROLE AND FUNCTION OF SOCIAL MEDIA FOR SMALL AND MEDIUM-SIZE ENTERPRISE (SMES) IN BANDUNG, INDONESIA

Iston Dwija Utama¹, Rudy Aryanto², Mulyani³

BINUS Bandung, School of Creative Technology, Paskal Hyper Square Area, Pasir Kaliki
Street Number 25-27

iston.utama@binus.edu

Iston Dwija Utama, Rudy Aryanto, Mulyani: Role and Function of Social Media for Small and Medium-Size Enterprise (SMEs) in Bandung, Indonesia-- Palarch's Journal Of Archaeology Of Egypt/Egyptology 17(7). ISSN 1567-214x

Keywords: Bandung, mixed research method, small medium-sized enterprise (SMEs), social media

Abstract

Emergence of social media makes a great opportunity for people to create and run business. This opportunity is also taken by the small medium-sized enterprise (SMEs) to expand their business. This research uses mixed research method i.e. quantitative and qualitative method; the quantitative method uses non-probability sampling approach, while qualitative method uses the exploratory approach by in-depth interview. Respondents of this research are owners of SMEs and social media expert. The results show that 73% SMEs run their business without any physical store; they provide good quality of content and deliver their strong value of proposition to attract their potential customers and stand out compared to competitors. Many SMEs still can display their product in offline store through collaboration. Other findings show that contents in which the respondents share on social media mostly about marketing and sales, such as product information (84%), promotion (71%), and testimonial (46%) rather than general information (18%). Social media platforms that most respondents use are Facebook (86%), WhatsApp (86%), and Instagram (69%) as one of their marketing strategy tools. The implication of this research is that many SMEs are very dependent to the social media accounts and the role of marketing intermediaries becomes more powerful.

INTRODUCTION

The emergence of internet gives wide-range opportunities for its users to do a lot of things, such as: meeting people around the world, sharing and spreading contents, gaining and searching information on unlimited number of subjects and staying up to date (Oztamur and Karakadilar, 2014).

One of most growing businesses in internet era is social media. In Indonesia, the number of active internet users reached 132.7 million and social media users reached 130.0 million in January 2018 (wearesocial.com, 2018). Moreover, by the beginning of 21st century, the role of internet and social media has become more strategic for the companies. They do not just introduce and promote their products, they also use webs to penetrate into market and maintain relation with their customers because of the low barriers to entry. At the same time, SMEs try to adapt the web technology by utilizing the social media to broaden their market, increase potential sale volume, and reach potential market in many areas. As a result, nowadays, many SMEs put their products into website, social media, ecommerce, or other similar types of it by creating an account (Oztamur and Karakadilar, 2014).

Small medium-size enterprises (SMEs) in Indonesia contributed to the Gross Domestic Product (GDP) about 60.34% in 2015 with huge number of labor absorption. Creative industry as a one of subsector in SMEs also had contribution to the GDP in average of 5.6% from 2010 to 2013. Compared to the national growth, the growth of creative industry was about 5.67%, it was higher than the growth of national economic. According to the Central Bureau of Statistic of West Java Province (BPS Jawa Barat) in 2016, the Numbers of SMEs in West Java were 480,240. The contribution of SMEs to the Gross Regional Domestic Product in West Java in 2012 were 54.55% with number of total workers were more than 15 million. Bandung has which been selected as a creative city by UNESCO also has many creative industry players with contribution to the total Gross Regional Domestic Product was about 15.4% in 2016. The numbers of creative industry in Bandung in 2014 were about 1,078 industries (BPS Kota Bandung, 2015).

Based on the situation and explanation given above, the main objective of this research is to explore “the role and function of social for the small medium-size enterprise (SMEs) especially in Bandung area, Indonesia.”

LITERATURE REVIEW

Small Medium-Size Enterprise (SMEs)

There are a lot of definitions of SMEs. The Decree of the Minister of Industry No. 19/M/I/1986 defines Small medium-sized industry as the company with number of employees are not more than 100 persons. Meanwhile, the Law No. 22/2008 defines SMEs as productive enterprise owned by individuals and/or group of people with criteria: 1). Small business has net worth around 50 million rupiah to 500 million rupiah excluding land and buildings or has annual sales around 300 million – 2.5 billion rupiah. b). medium enterprise has net worth around 500 million rupiah to 10 billion rupiah excluding land and buildings or has annual sales around 2.5 billion – 50 billion rupiah.

Creative Industry

Creative industries are dynamic and have their own way and method to produce works of masterpiece. Many researchers in early 2000s tried to define the meaning and definition of creative industry, such as Caves (2000); Scott (2000); Hesmondhalgh (2002); Power (2002); Pratt (2005); Fleming (2007); Galloway and Dunlop (2007); Kolmodin, Pelli, Bager-Sjögren et al. (2008); Nielsen (2008); Jeffcutt and Pratt (2009); Mato (2009); Miller

(2009); and Power (2009), however, in 2010, the broad definition of creative industry had been signed and used by UNCTAD. It is both knowledge intensive and labor intensive to produce masterpiece works by using high concentration of creative inputs, for example, theatre or movie production. The contribution of the creative industries to employment subject is usually significant; ordinarily, they account for around 2 to 8 percent of the workforce in the economy of country.

UNESCO also has its own definition about creative industry. UNESCO define the cultural and creative industry as a sector of organized activities in which its main purposes are the production or reproduction, promotion, distribution, and/or commercialization of products which include products, services, and activities of a cultural, artistic, or heritage-related nature.

UNCTAD has classified creative industry into eight categories namely: art crafts, audiovisuals, design, new media, performing arts, publishing, and visual arts. Detailed of the categorization can be seen as follows:

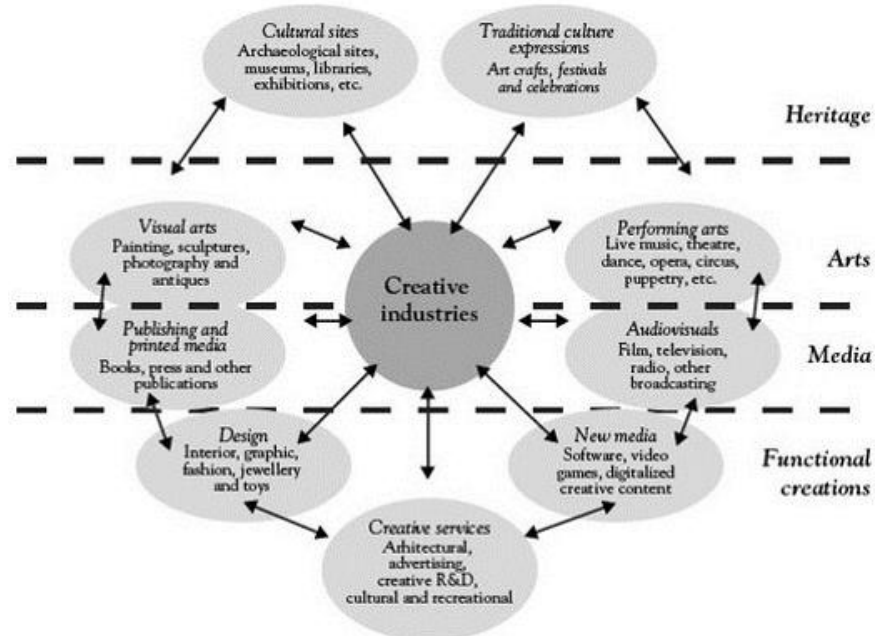


Figure 1. Classification of Creative Industry Sector (UNCTAD, 2010)

In Indonesia, creative economy has proved to be able to solve the unemployment and contributed to the gross domestic product of Indonesia. In 2015, the contribution of creative industry was about 7.38% to the total gross domestic product (BPS, 2015).

The sub-sector of creative economy in Indonesia based on Presidential Decree No. 72/2015 is classified into 16 categories, namely: architecture; interior design; communication visual design; product design; film, animation, and video; photography; craft; culinary; music; fashion; application and game developers; publishing; advertising; television and radio; performing arts; and art works.

Bandung has been selected as a creative city network by UNESCO in 2015 for design category. As a creative city, Bandung has supported a lot of added values such as urban planning and development aspect, technology aspect, and social-demographic aspect. Urban planning and development aspects

show that Bandung, nowadays, has many thematic public parks for society as well as many varieties of programs and events that support creative industry players. From technology aspect, Bandung has a monitoring and control room, called Bandung Command Center (BCC), to monitor and respond immediately the reports made by citizens. From demographic aspect, according to the Bandung Central Bureau of Statistic (BPS Kota Bandung), Bandung has percentage of productive ages of 59.52% and the contribution of creative industry to the gross regional domestic product was about 15.4% in 2016 from culinary, fashion, and craft sectors and many of creative industry players are categorized as SMEs industry players.

The contribution of creative economy in West Java in 2016 was about 11.58% to the total Gross Domestic Product and the growth of economy creative to the growth domestic product (GDP) in 2010 to 2016 was 11.42% with the most significant contribution were from culinary, fashion, crafts, publishing, television and radio, architecture, and application and games developer subsector. Compared to other provinces in Indonesia, West Java is also the highest contribution in term of creative economy with total contribution of 33.56% followed by East Java with contributed of 20.85%. Detailed contribution of each province is presented below:

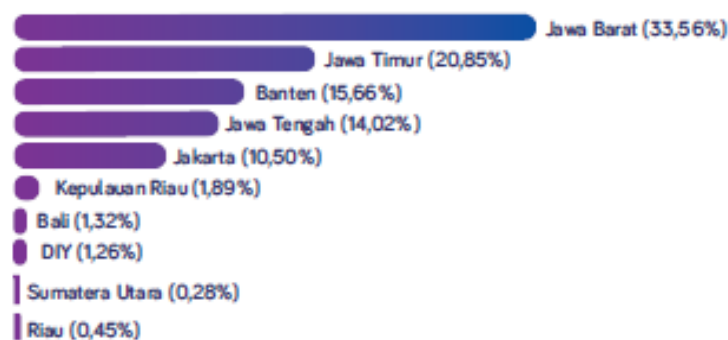


Figure 2. Contribution of Economy Creative in Indonesia, BEKRAF (2017)

Internet Penetration

The world wide web (WWW) or also known as a web has been introduced long time ago and has developed significantly. The web is basically different from the internet, however, it's the most prominent part of the internet that can be defined as a techno-social system that intercommunicate humans based on technological networks (Aghaei, Nematbakhsh & Farsani, 2012).

The evolution of world wide web (WWW), currently, is entering the web 4.0. The web 1.0 is mainly a read-only and static webs. The company who wants to showcase their products should create a catalog and brochure by using the web so that people can reach them by access the website of the company. Therefore, the features in the web 1.0 have similarity with the newspaper, people just can read the information and then they have to contact the company if they are interested in the information. The web 2.0, introduced in 2004, is not only read-only web, but also provide a read-write web. With these features, users are allowed to contribute, collaborate, and build interaction with the content provider of the web. The main technologies that occurs in web 2.0 are blogs, really simple syndication (RSS), Wikis, and Mashups. The web 3.0, developed since 2006, is a third generation of the

web. The main underlying concept in this web 3.0 is to define the structure data and link them with various kinds of applications to make the data more effective, integration, automation, and reuse. Moreover, the utilization of the data is also used to analyze and get some insight from various data sets to obtain new information stream. The web 3.0 is also known as a semantic web, which is a web that can perform things in the approach of that computer can understand. The main important objective of semantic web is to make the web can be read not only by humans but also by machines. The web 4.0 is also known as symbiotic web, as its labeled given, the symbiotic web is the symbiosis between human and machine. Therefore, the machine can read the content of the web and respond it by executing and deciding what to execute first in different quality and performance (Aghaei et al., 2012).

Since being introduced as web 1.0, the number of internet users has significantly grown. Based on the internet world stats in 2017, the number of internet users is around 4,157 million or 54.4% of total population in the world. The detail information about internet penetration per country is presented Figure 1.

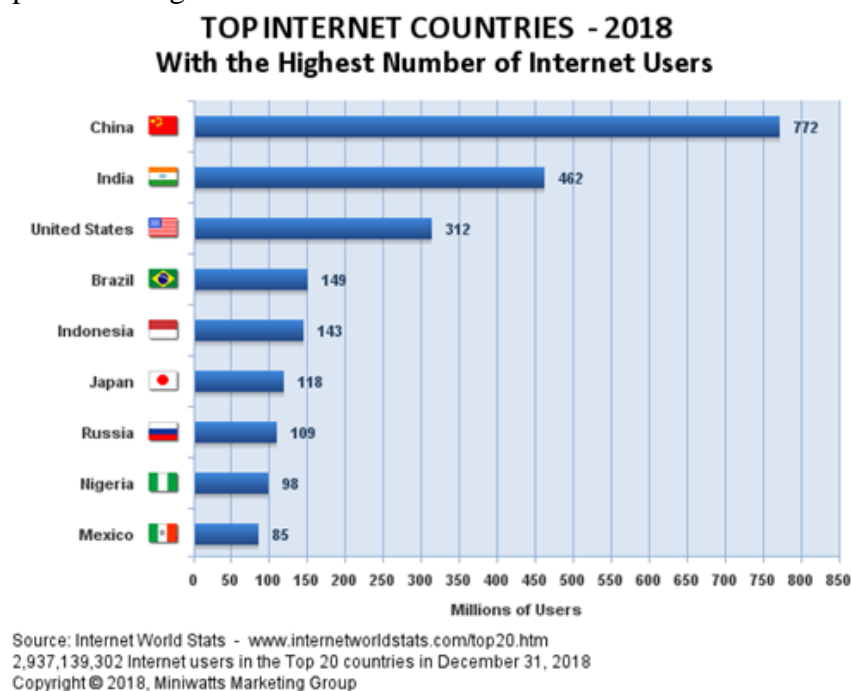


Figure 3. Number of Internet Users Per Country

Indonesia has many internet users and most of them are active users of social media. Based on the data from wearesocial.com in January 2018, about 132.7 million people were active users of internet and about 130 million were social media active users or about 49% of population; and compared to the January 2017, there was increase of 23%. From the spending time of using the internet, users who access internet every day is about 79% or about 102.7 million. Moreover, average daily time spent using the internet is about 8 hours and 51 minutes and for average daily time spent using the social media is about 3 hours and 23 minutes.

Social Media and Its Utilization

Since the web was introduced, there are a lot of progresses that have been made about development of the webs, namely: web 1.0 as a web of cognition,

web 2.0 as a web of communication between humans and web, web 3.0 as a web of co-operation, and web 4.0 as a web of integration. Social media is categorized into the web 2.0 based on its characteristic such as having more interaction with less control, flexibility on design, updates and support collaboration among users (Aghaei et al., 2012).

Since the Social media are used and popular among the society, many companies start to use the social media as a tool to keep interaction with customer and also as a strategic tool. Expenses on the social media channel in the USA was predicted to grow 34% annually and reached \$3.1 billion in 2014 (Forrester Research, 2009). It is similar with the study from magna global in March 2018, which predicted the growth of advertising in digital media reached 14.3% compared to traditional media such as print, radio, and television which declined of -18.6%. In Indonesia, even though the traditional media are still dominant for advertising about 60% of total contribution, the growth in digital media in 2017 predicted will contributed 8.8% and still can grow in the next following years (Daily Social, 2014).

This trend shows that digital media can be one of strategic tools for the company. They have role for finding key consumer influencers, engaging them, and generating brand advocates. However, to build viral campaign or content online WOM, trust must be established and sequentially reinforced in order to overcome any reluctance to be the part of consumers (Miller and Lammas, 2010). Another impact showed by the presence of social media is the way of company conducts the marketing communication and advertising in industry, i.e. from one-way 'cluttered' mass media communication into interactive, specific, narrowly targeted approaches market and towards synergistic integration and collaboration of all company communications channels (Pentina, Koh & Le, 2012).

Indonesia is one of the most social media active users in the world. The most active social media platforms in Indonesia that have frequent access are YouTube (43%), Facebook (41%), WhatsApp (40%), Instagram (38%), Line (33%), and BBM (28%) (Wearesocial.com, 2018). By using social media, company and users can easily interact and customers are no longer becoming passive "receivers." Nowadays, customers can initiate a conversation and give the feedback to the business, create and share personal profiles, create and develop new connection, and provide and acquire information in an interactive manner (Pentina et al., 2012).

Previous Research

Previous research results showed that many SMEs have a limitation to adopt the technology. Social media marketing can help SMEs to add and are very promising distribution channels for business communication (Dahnil, Marzuki, Langgat & Fabeil, 2014). Other researches show that social media marketing practice can be involved in creating a company's fan page, managing promotions content, maintaining public relations with the audience, and conducting market research study to enhance the decision making for the company. Other activities can be included to provide a new channel of customer support, encouraging customers to give reviews and discussion for products or services, and perhaps create an announcement for recruiting purposes (McCorvey, 2010).

Another research shows that almost every SME of America and Turkish companies have social media accounts, especially Facebook and Twitter accounts, as new marketing strategy tools. At the same time, companies also have to create value to the customers through competitive advantage (Oztamur and Karakadilar, 2014). Other researches show that by using AIDA model approach, the social media strategy can be applied and optimized by SMEs to increase their overall marketing strategy effort effectively and efficiently (Hassan, Nadzim & Shiratuddin, 2015).

Social media can make positive impact to the small business marketing strategy and indirectly contribute to the economic growth. In addition, using social media is the most cost effective and suitable for small business marketing strategy (Hassan et al., 2015).

Meanwhile, the social media presence which is not supported by solid long-term strategy may harm the brand by making it vulnerable to uncontrolled viral communications among social media users. Therefore, it is very important for the company to integrate their social network marketing plan into overall strategic marketing communication plan and monitor the campaign results to gain the competitive advantages for the company (Pentina et al., 2012).

In term of increasing sales by using social media, good content marketing has a lot of potential to increase their business, such as increasing brand awareness and experience strong boost in ROI. By providing good content marketing, consumers can be attracted and informed about company's brand (Ahmad, Bakar & Musa, 2017). However, there are no specific formula to calculate social media marketing impact to ROI because social media covers many human interactions (such as reviews, comments, and word of mouth) which are difficult to be calculated (Vaynerchuk, 2011). Other things that are related to the content is the interface of website, a research by Aryanto, Trisnasari, Sarjono & So (2014) about interface preferences in ecotourism destination website concludes that website interface influences the customer's preferences. By using 7 c framework approach, his research discovered some findings such as 1) context, tourist prefer horizontal-shaped navigation website, better access speed, and static layout, 2) on content of website, tourists prefer using email. For picture size, tourists prefer seeing big picture rather than small-sized picture, and 12pts text font size, 3) for website's communication, tourist prefers communication bounding by using newsletter for new article updates and the most effective event broadcast is email, and for contact location information at footer side.

MATERIALS AND METHODS

Research Methods

This research uses mixed methods, both quantitative and qualitative methods. The quantitative method deals with non-probability sampling by using the purposive sampling approach. It is applied because the specific type of people that can provide the information must meet some selected criteria by researchers. Meanwhile, the qualitative method deals with in-depth interview approach to the SMEs owners and social media experts.

Type and Source of Data

Data can be defined into two types, namely: primary data and secondary data. Primary data are the data that are collected from the first hand of researchers for specific purposes; while, secondary data are data that have been made or collected by others with purposes that not related to the purposes of the current study (Sekaran and Bougie, 2013).

Based on the purposes of this research, the data that should be collected are both primary and secondary data. For the primary data, researchers use both interviews and questionnaires. For interview, researchers get the data from SMEs owners who have experience more than 3 & 4 years and social media experts who have experience more than 5 years. For questionnaires, researchers deliver it to the SMEs communities through online media and then analyze and interpret the data to get some insights from the respondents. For the secondary data, researchers gather and collect the data that are relevant with the purposes of this research, such from journals and textbooks.

Data Collection Procedure

To collect both quantitative and qualitative methods, several data collection methods are conducted as follows:

- a. Questionnaires, according to the Sekaran and Bougie (2013) questionnaires is a pre-formulated written set of questions and/or statements in which respondents can record their answer on it. For this research, questionnaires are delivered to SMEs communities to know the purposes and role of their social media accounts.
- b. Interviews, interview is a guided conditional conversation between two or more peoples to gather information from respondents, the types of interviews applied in this research are structured interviews (Sekaran and Bougie, 2013). For this study, researchers interview SMEs owners and social media experts to gather the information for the purposes of this research.
- c. Literature review, researchers gather information such from journals, textbook, articles, etc. that supports and is relevant to the purposes of this research.

RESULTS AND DISCUSSIONS

From questionnaires spread into SMEs communities, researchers collected 162 respondents with various types of business such as culinary (38%), fashion (35%), retailers (16%), footwear (5%), and others (6%). The results also strengthen Bandung as one of creative cities which has produced many creative industries such as culinary, fashion, photography, craft, application, and craft.

Online business by using social media as an intermediary has been common among SMEs owners. There are about 99% respondents have already taken benefits of social media to support and develop their market and surprisingly about 73% respondents conduct their business without any physical store and 53% of them have run their business more than 3 years. It means that many SMEs are very dependent on their social media account. Facebook (86%), WhatsApp (86%), and Instagram (69%) are the most frequently used social media among SMEs owners. The interview results with SMEs owners and social media experts show most likely same result in which social media make no barriers. It makes SMEs are able to offer their

products and run the business without any physical store. What they do is uploading their products with certain hashtag or keyword that fit with their target market or they can also educate their consumer by upload the information, promotion material, quotes, tips, or capture of testimony from customers to convince customers about the products that they offer to them. This content is really needed to be considered before posting in their social media such as quality and focus of photo, color combination, and copywriting. Social media is also chosen because it's the most cost effective, easily, and suitable for the SMEs owners as one of their marketing strategies. Although they don't have any physical store, they could collaborate with marketing intermediaries such as joining the communities or using others SMEs' resources who have physical stores. The previous study also shows that the interface does really matters for the customers' decision-making process.

Other findings show that most SMEs focused on their products and related to it, such as product information (84%), product promotion (71%), testimonial from customers (46%), and offering new products or services (34%) rather than general information (18%). This result is also reinforced in interview results asserting that the business foundation is a trust; therefore, the testimonial and product information have crucial role in term of online business and the impacts for the sellers are being trusted sellers and recommended sellers by many customers. To increase sales, sellers should also provide outstanding contents and create clear messages for their target market in their social media appearances. It is because even though many sellers use the same platform and sell the same products in social media, the contents that appear in social media do really matters to attract potential buyers. They also need to deliver and communicate their strong value proposition to their target market compared to other sellers.

Regarding the content analysis in term of social media, only few SMEs conduct the evaluation for their content in social media, i.e. about 13% of them who analyze the effectiveness of their content in social media. Main reason that only few SMEs analyze the effectiveness of their content in social media is because in SMEs, the organizational structure level is still simple and the owners have many role in their organization, both in strategic level function and in operational level function.

CONCLUSIONS

The technology development makes almost no barriers for many people to run business, especially through social media by creating accounts which are mostly free. Social media for SMEs owners has an important role and function specifically to support their marketing strategy such as to increase the awareness of products, broaden the potential market, and reach the potential customers to increase their sales.

The research results showed that having a social media account, SMEs do not need to have a physical store to run their business, however, it is not a simple thing. They still need to provide the outstanding content and have clear messages specifically designed for their target market to attract more potential buyers; since many sellers also sell the same products. On the other side, even though they do not have any physical store, they still can display and put their product into other stores through consignment or other type of

agreement. SMEs owners can take another way such as joining and collaborating with many small business communities to broaden their product availability in market and reach the potential customers. The implications of this strategy will make many SMEs become very dependent to the social media platform and the role of marketing intermediary get more powerful that also can lower the bargaining power of SMEs. Moreover, many SMEs have not analyzed the effectiveness of their contents at social media so that they potentially face difficulties to create the social network marketing for their products and integrate it with their overall marketing communication plans.

ACKNOWLEDGMENT

1. Drs. Andreas Chang, M.B.A, as a rector of School of Creative Technology Bina Nusantara Bandung, who has encouraged and motivated to write this paper.
2. Dr. Rudy Aryanto, as a head of Creativepreneurship Department of School of Creative Technology Bina Nusantara Bandung, for guidance and direction to accomplish this paper.
3. SMEs owners in Bandung and social media experts for all supports by giving the data and time to fill out the questionnaires and have interviews.

REFERENCES

- Aghaei, S., Nematbakhsh, M. A. & Farsani, H. K. (2012). Evolution of the World Wide Web: From 1.0 to Web 4.0. *International Journal of Web & Semantic Technology*, 3(1), 1-10.
- Ahmad, N. S., Bakar, S. A. & Musa, R. (2017). Exploring the Roles of Social Media Content Marketing (SMCM) Towards Return on Investment (ROI): A Conceptual Paper. *Pertanika Journal of Social Sciences and Humanities*, 25(S), 261-268.
- Aryanto, R., Trisnasari, Sarjono, H. & So, I. G. (2014). Customer Interface Preferences to Ecotourism Destination Website. *Advanced Materials Research*, 905, 706-710.
- Badan Pusat Statistik Provinsi Jawa Barat. (2017). *Laporan Penyusunan PDRB Ekraf Provinsi Jawa Barat 2010-2016 Menurut Lapangan Usaha*. Badan Pusat Statistik Provinsi Jawa Barat. http://www.bekraf.go.id/downloadable/pdf_file/180226-laporan-pdrb-ekraf-provinsi-jawa-barat-2010-2016.pdf.
- Badan Pusat Statistik Kota Bandung. (2018). *Jumlah Penduduk Menurut Kelompok Umur dan Jenis Kelamin di Kota Bandung 2016*. Badan Pusat Statistik Kota Bandung. <https://bandungkota.bps.go.id/statictable/2017/08/29/104/jumlah-penduduk-menurut-kelompok-umur-dan-jenis-kelamin-di-kota-bandung-2016-.html>

- Caves, R. E. (2000). *Creative industries: Contracts between art and commerce*. USA: Harvard University Press.
- Dahnil, M. I., Marzuki, K. M., Langgat, J., & Fabeil, N. F. (2014). Factors Influencing SMEs Adoption of Social Media Marketing. *Procedia - Social and Behavioral Sciences*, 148, 119-126.
- Forrester Research. (2009). US Interactive Forecast, Forrester Research, Inc. Retrieved from: <http://www.forrester.com/rb/research>
- Hassan, S., Nadzim, S. Z. A. & Shiratuddin, N. (2015). Strategic Use of Social Media for Small Business Based on the AIDA Model. *Procedia - Social and Behavioral Sciences*, 172, 262-269.
- McCorvey, J. J. (January 25, 2010), How to use social networking sites to drive business. Retrieved from <https://www.inc.com/guides/using-social-networking-sites.html>
- Oztamur, D., & Karakadilar, I. S. (2014). Exploring the role of social media for SMEs: as a new marketing strategy tool for the firm performance perspective. *Procedia - Social and Behavioral Sciences*, 150, 511-520.
- Pentina, I., Koh, A. C., & Le, T. T. (2012). Adoption of social networks marketing by SMEs: Exploring the role of social influences and experience in technology acceptance. *International Journal of Internet Marketing and Advertising*, 7, 65-82.
- Sekaran, U., & Bougie, R. (2013). *Research Methods for Business: A Skill Building Approach*. 6th Edition. John Wiley & Sons Ltd. United Kingdom.
- Vaynerchuk, G. (2011). *The thank you marketing*. New York, NY: HarperCollins.
- Wearesocial. (2018). *Indonesia Digital Landscape: Januari 2018*. <https://www.scribd.com/document/371225373/Indonesia-Digital-Landscape-2018-pdf>.