

CHAPTER I

INTRODUCTION

1.1. Background

Technological development in this new digital era is growing rapidly which has affected almost all sectors (i.e agriculture, textile, iron and steel industry). Information technology used to process data, including processing, obtaining, compiling, storing data in various ways to produce quality information, namely information that is relevant, accurate and timely, which is used for individuals or organizations and qualified information is strategic information for decision making (Wardiana, 2002). The existence of technology is important in this globalization era, it continues to evolve in terms of communication and information. With the advanced information technology, enabling the adoption of new effective and efficient system in production, distribution, and consumption (Wawan Wardiana, 2002). Moreover, the globalization era made all users around the world can connect to others easily (Kanchanatane et al., 2014). People used to send mails to exchange messages before technology, however, now people can easily send and immediately receive messages at the same time using smartphone through chats (Line, Whatsapp, and KakaoTalk) and post or receive information through applications (Facebook, Twitter, Google, E-mails and Instagram). Therefore, these applications is a bridge where people can easily connect to the world by making content however they do not have the access to control it (Charlesworth, 2014). Thus, it is not limited by distance, time, and space.

According to the Association of Internet Service Provider (APJII) survey research in 2017, the internet users in Indonesia reached 143,26 millions of people out of 262 millions of Indonesian population. Another survey in 2018, the internet users reached 171,17 millions of people out of 264,16 millions of Indonesian population (APJII, 2018). During 2019, the internet users have spent around 7 hours and 59 minutes per day using and surfing the internet. In the early of 2020 research found that the total of internet users in Indonesia have reached to 175,4 millions of people and the active social media users have reached to 163 millions of people, meanwhile the total of population in Indonesia is around 272,1 millions of people. An increase of around 17 percent or 25 million users compared to last year. The average of daily time spent with the internet is 7 hours and 59 minutes and with social media is 3 hours and 26 minutes. Most used social media platforms are 88% of the population use Youtube, 84% of the population use Whatsapp, 82% of the population use Facebook, and about 79% of the population use Instagram (KumparanTech, 2020).



Figure 1. 1: Total Internet Users and Active Social Media Users in Indonesia

Source: Lumbantobing (2020).

Previous study about the Industry Revolution 4.0 disrupts not only technology but also other industries such as economy, social, and culture. The changes in human's behaviour in this era known as society 5.0 focus on fulfilling the needs in human-centered and technology based such as Artificial Intelligence (AI) and Internet of Thing (IoT) (Mumtaha & Khoiri, 2019). Traditional technology considered as a tool to enhance systems that is already exist and make the systems more effective however still limited. Modern technology, on the other hand, is accessible. Technological development has been overwhelmingly and vastly adopted in every activities. The modern technology has made people's work easier and more comfortable than before (Cuthbertson et al., 2007). Previous research found that modern technology has improved work performance in each sector. For example in education sectors, it is proven that the students find it more interesting and interactively learn in the class when it is aided by modern technology. The

knowledge transfer becomes very easy, convenient and effective (Raja & Nagasubramani, 2018). According Purnomo (2011), believes that the technology can increases corporate entrepreneurship, with indications of organizational innovation, self-renewal, new business discovery, and responsiveness.

Due to changes to the digital era, advertising through TV or put an ad in newspaper is less effective. Rather than advertising in traditional media, the number of individual or companies who choose to advertise in social media increased. It comes in many forms such as blogs, microblogs (Twitter), social network (Instagram, Facebook), media-sharing sites (Youtube), online stream company (i.e Netflix, VIU, Disney+Hotstar) and online news. Kaplan & Haenlein (2010) defined social media as a set of platforms built on a Web 2.0 as a developed software, continuously modified by all users to provide and exchange information. According to GetCRAFT study in its “Indonesia Native Advertising and Influencer Marketing Report 2018” reported that Indonesian consume Social Media more than TV. The figure reaches to 3 hours 16 minutes compared to 2 hours 23 minutes (Zaenudin, 2018). Internet plays an important role in the marketplace, our lifestyle, consumer behaviour, economics system. It also affecting businesses to choose the online system for the convenience in managing the business. Therefore, many businesses are changing its strategies by utilizing technology so they can compete with other businesses (Mumtaha & Khoiri, 2019).

For MSMEs, electronic commerce or e-commerce has become a new accessible channel where they can improve the business scale globally (Kanchanatane et al., 2014). The vast development of e-commerce in Indonesia impacted by millennial lifestyle, who prefer to shop online. It also provides access for MSMEs to expand and reach other markets and retain relationship with customers and facilitate business transactions by utilizing internet and website technology (Mumtaha & Khoiri, 2019). Therefore, this situation drives MSMEs to make decision to utilize the e-marketing. Furthermore, MSMEs in the rural area now have the chance to upgrade their business and compete with other competitors with low administration cost (Kanchanatane et al., 2014).

Social media marketing is emerging in this new digital era. It can be used as an equalizer for brands to outsmarted the customers without making huge investment, opportunities to collaborate with other companies (Purwudiantoro et al., 2016), and also as a tool to communicate (Siswanto, 2018). Communication in social media is an activity that can promote the brand image and build brand awareness in the society. The notion of communication in other social media is defined as providing information to potential consumers about the products being offered. This concept often called promotion mix consists of advertising, sales promotion, personal selling, publicity and public relations, and direct selling. To create an effective social media marketing, marketers have to consider all the probability and learn the fact that social media simultaneously reaches several target audiences (i.e. consumers, suppliers, and other parties whom associate with the

company). Therefore, it justifies larger advertising budgets (Schiffman & Wisenblit, 2011, p.223). These advertisements will be shown to certain social media users based on what they "like" (Lipsman, Mudd, Rich, & Bruich, 2012; Schiffman, & Wisenblit, 2011, p.223). Moreover, usually the advertiser pays the social network after users click on their ads. The company also need to encouraged its employees to use the social media or 'tweets' about the brand to strengthen the brand image (Schiffman, L. G. & Wisenblit, 2011, p.223). These features known as monitoring tools such as quantitative metrics act as an indicator of level of engagement between the company and society (Scheinbaum, 2016; Voorveld, Noort, Muntinga, & Bronner, 2018)

Other than that, the social media platforms allow the management identify and analyse factors affecting consumer attention satisfaction and predict the marketing outcomes as a long-term strategy. Thus, social media has become one of the components that has to be included in all online shop business models (Akar, E. & Topçu, 2011; Mahoney, L. M & Tang, 2017). Influencer is someone with large numbers of followers in social media platforms (i.e Youtube, Instagram, Twitter), who have the role in influencing customers by providing opinions and reviews about products (Handika & Dharma, 2018) and exposing brand awareness to customers (Glucksman, 2017). The collaboration with influencers can impact the product sales, brand attachment, and a stable relationship with loyal customers (Handika & Darma, 2018). Earlier study found that consumers have a high level of

trust with the influencers that they follow as much as they hold for their friends. Therefore, the influencer marketing refers to where marketers invest in selected influencers to promote their brand to influence both influencers' followers and target customers. An advantage to invest in influencer is that company can spend an affordable amount of money to promote their brand and product compared signing contract with renowned celebrity (Lou & Yuan, 2019).

The Indonesian government considers MSMEs as one of the most important structures for the Indonesian economic system and a mainstay of the government (Tambunan, 2019; Purnomo, 2011). This type of business model is independently owned by an individual and meets with the criteria that has been set in the Indonesian law (Tambunan, 2019). If Indonesian MSMEs adopt technological and communication developments, they will succeed in maintaining and managing their businesses. According to the data from Ministry of Cooperatives and SMEs of Republic Indonesia and The Economic Census from The Central Bureau of Statistics in 2016 shows the larger contribution of MSMEs in Indonesia towards Indonesian economy includes the MSMEs contributions in absorbs 89,2% of the total workforce, provides 99% employment, contributes 60,43% in Indonesian GDP, contributes 14,17% in exports, and contributes 58,18% in investment (Putri, 2019).

Putra & Basri (2019) explained that there are few reasons why MSMEs are important in the society and for Indonesia such as, providing jobs for unemployed

and can intensively manage the natural resources. Another researcher append that it can increase the MSMEs growth, reduced the poverty in the local population, can even out the income distribution and can increase regional economic development. The occurrence of intense competition in the industry, caused by the increased number of online business in social media who offers more innovative and low price also services. However, In 2017, the State Minister for Cooperatives Small and Medium Enterprises reported that there are 3,79 millions of MSMEs has adopted the Information and Communication Technology (ICT) and the media platform to promote their products. It is around 8% of the total of MSMEs in Indonesia, that is 59,2 million (Kurniati, Susilowati & Suharno, 2019).

However, there is another researcher who disagree with the adoption of social media in MSMEs system, stated that performing same task with different technology will have different impact on performance, thus MSMEs need to consider the suitability of technology with the type of task. The disagreement caused by the ignorance of MSMEs adopting technologies that they do not need eventually becomes a liability for the enterprise. On the other hand, there are many MSMEs in Indonesia still not believe the influence of technology, the perception of fear on their enterprise may not be able to develop or worse, they have to close down the business because the inability to compete (Purnomo, 2011). This study will mainly discuss and highlight the fact that most of the MSMEs in Indonesia have not used the online platforms because of the knowledge barrier and the high competitors in the industry.

The percentage of MSEs in DKI Jakarta in 2018 reaches 98.78 percent of the total number of businesses in DKI Jakarta. Large and retail trade, repair and maintenance of cars and motorbikes dominate the number of MSEs with around 421,000 businesses or nearly 37 %. This was followed by the business of providing accommodation and food and drink provision of around 339,000 or about 29% and the processing industry also had a large contribution, namely nearly 94,000 businesses or more than 8% (BPS, 2018). Therefore, If the growth of ICT adoption in MSMEs systems in Indonesia especially in Jakarta, continues to increase every year this can eliminate the limitations of MSMEs, such as limited capital to develop businesses, lack of ability to develop and compete with local and global markets, and limited access to financial resources and stabilize MSMEs during an unstable environment (Kurniati, Susilowati & Suharno, 2019). Therefore, this can also improve Indonesian economy lower down the number of unemployment in Indonesia. Thus, the growing number of MSMEs can provide benefits for Indonesia (Chatterjee & Kar, 2020; Rahayu & Day, 2015).



Figure 1. 2: The Percentage of MSEs in Indonesia

Source: BPS (2018).

To increase the number of MSMEs for using the ICT, the government has initiated a program called 8 million MSMEs Go Online. MSMEs are the main component in developing Indonesian economy thus they created a target to make 8 million MSMEs to go online in 2019 (Yuliani, 2017). This program support MSMEs by:

- a. Conducting outreach and collaborating with related parties to hold a focus group discussion and submit a Perjanjian Kerja Sama (PKS) with stakeholders,
- b. Engage with MSMEs owners to increase the awareness of the facilitation program for the 8 millions of MSMEs Go Online until 2019,
- c. Conduct a workshop or a training session for the MSMEs on how they can promote their products through online,
- d. Make a recapitulation with e-commerce players in order to observe the achievement of the development from UMKM to e-UMKM,
- e. Implement evaluation of the economic activities that have been carried out.

The purpose of MSMEs going online is to provide opportunities for a wider market share for MSMEs in Indonesia, both local and global, in order to be able to increase sales and revenue both locally and globally. Expectation from the increase sales of MSMEs using both offline and online transactions is to more consumers is attracted due to the increased promotions, increased product sales, market share control, and increased profits. The role of sales in online platforms provides

convenience in meeting with consumers without meet them physically and reduce e-MSMEs expenses such as rental fee (Nilasari et al., 2019).

In 2020, a pandemic strikes and can significantly affects the Indonesian economy and also MSMEs in Indonesia. Therefore, The government provides industry support of 70,1 trillion so businesses are able to survive in this situation (Jayani, 2020). MSMEs contribution before was considered high however only a few UMKM products were able to penetrate the export market. Therefore, now is the right time, the government is urging MSMEs to adopt ICT due to changes in the current lifestyle where people rarely leave their homes and do their work mostly at home. According to Teten Masduki, The Minister of Cooperatives Small and Medium Enterprises, stated that right now is the perfect time for MSMEs to switch their operation to online platforms. Bank of Indonesia reported an increase in the sales of e-commerce to 18% in May 2020. Unfortunately, only 13% of MSMEs are connected to this online marketplace, or around 8 million more MSMEs (Catriana, 2020).

Furthermore, the internet in Indonesia is very slow due to the high demand of the internet use and the government is slow in taking action in accelerating digital infrastructure so that it lags behind other countries, especially Southeast Asian countries (Jatmiko, 2019). According to Coconut Jakarta (2019) survey in 2019, Indonesia is among the 5th countries that spend the longest time (as much as 8 hours 36 minutes) on the internet per day. Other than that, most of the business owners

are the one who manage the online business account in social media however they are most likely to have limited knowledge about online business. As the result, they stopped managing the business account (Vernia, 2017). In conclusion, if MSMEs in Indonesia do not include social media marketing in their strategy, their annual sales would not reach the goal or potentially having loss and the business could go bankrupt (Permana, 2020).

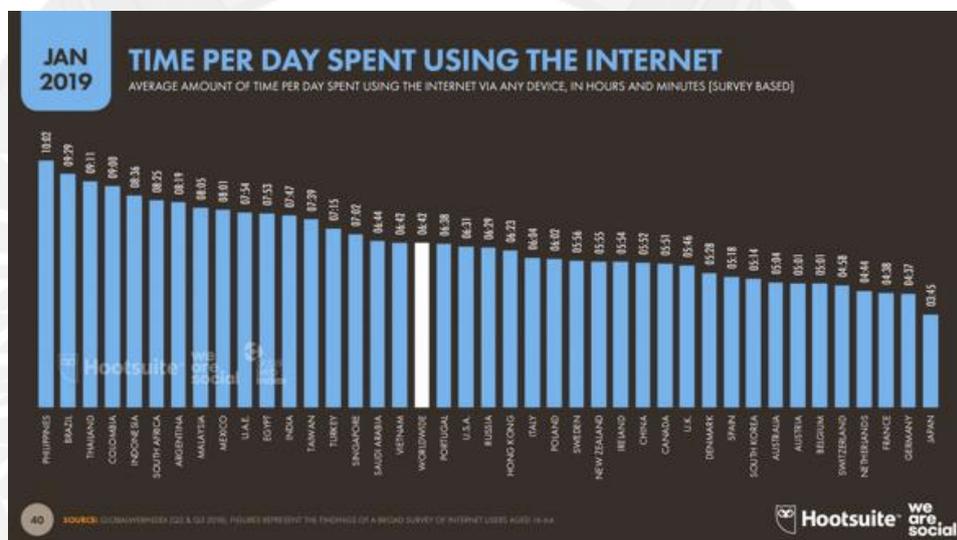


Figure 1. 3: Countries Rank Time Per Day Spent Using the Internet

Source: Coconut Jakarta, 2019.

1.2. Research Questions

In this research, it focuses on the essential use of one of social media strategy, SMM which can give big impact on MSMEs and if the SMM can be an effective instrument for the Indonesian economic growth. Furthermore, this research will examine and explore the following six research questions which later elaborated using quantitative approach:

- Does Perceived Usefulness (PEU) have a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing?
- Does Perceived Ease of Use (PEOU) has a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing?
- Does Compatibility (COM) has a positive impact on Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing?
- Does Facilitating Conditions (FCO) has a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing?
- Does Cost (COS) has a negative impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing?
- Does Social Media Marketing has a positive effect on the Impact on Business (IOB), so far as Micro, Small, Medium Enterprises (MSMEs) in Indonesia?

1.3. Research Objectives

The purposes of conducting this research are:

- To determine whether the Perceived Usefulness (PEU) has a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing.

- To determine whether Perceived Ease of Use (PEOU) has a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing.
- To determine whether Compatibility (COM) has a positive impact on Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing.
- To determine whether Facilitating Conditions (FCO) has a positive impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing.
- To determine whether Cost (COS) has a negative impact on the Micro, Small, Medium Enterprises (MSMEs) to adopt Social Media Marketing.
- To determine whether Social Media Marketing has a positive effect on the Impact on Business (IOB), so far as Micro, Small, Medium Enterprises (MSMEs) in Indonesia are concerned.

Until now, there are still few publications about the use of social media in MSMEs and the benefits of using social media for MSMEs in Indonesia (Priambada, 2015). Also, many MSMEs owners are still not technology literate which later can make it difficult for them to operate and access the online platforms (i.e Social Media) (Catriana, 2020). If MSMEs are unable to adapt to the changes in the environment then the business is threatened of going out of business (Saravanaumar & Lakshmi, 2012).

1.4. Benefits of Research

The benefits of this research are:

a. For academics:

This research provides a further understanding and information about the impact of Social Media Marketing (SMM) towards Micro, Small, and Medium Enterprises (MSMEs) in Indonesia. This research supports the use of SMM in order to help MSMEs in Indonesia to advance their business scale and are able to compete globally. Furthermore, this research also can provide further information for particular variables such as perceived usefulness (PEU), perceived ease of use (PEOU), compatibility (COM), facilitating condition (FCO), cost (COS), and the impact on business (IOB).

b. For the current and future MSMEs:

The researcher believes that the current and prospective MSMEs in Indonesia are able to apply this method in their enterprise and help in increasing and fixing Indonesian economics. Also, Indonesian MSMEs in rural areas can use this opportunity to compete not only in local but also globally and increasing Indonesian export.

1.5. Limitation of Research

The population of this study is JABODETABEK. Meanwhile, the sample of respondents are from Jakarta and Tangerang. We did not input any data outside Jakarta and Tangerang therefore the data might have yielded different results.

Therefore, this study cannot be considered as a generic result. With these limitations, the researcher hoped that the future researcher would include other cities in JABODETABEK or Indonesia. There are thousands of islands, big and small that other researchers may want to consider as their sample of population. Furthermore, each area has different culture and facilitation settings. Therefore, this research did not provide extensive knowledge about consumer behaviour from other cities besides Jakarta and Tangerang.

1.6. Thesis Systematic Structure

Broadly speaking, this research consists of 5 chapters, namely as follows:

a. CHAPTER 1: INTRODUCTION

This chapter will discuss about the background of technology and how technology provides answer for MSMEs in Indonesia. It also included the purpose of the study, the research questions and benefits of research to brief the purpose of making this research. And last, the limitation of research as note for further research in the future to analyze other aspects that have not being explored.

b. CHAPTER 2: LITERATURE REVIEW

This chapter will provide information about the theoretical basis, previous research, framework, and hypothesis.

c. CHAPTER 3: METHODOLOGY

This chapter will explain the research design, data collection method, research variable, research samples, operational variable, data analysis, research instrument, research instrument testing, types and sources data, and analysis method.

d. CHAPTER 4: RESULTS AND DISCUSSIONS

This chapter will explain about the description of research objects, data analysis, and results interpretation.

e. CHAPTER 5: CONCLUSION

This chapter will explain the conclusion, implication, and suggestion.

