

# CHAPTER I

## INTRODUCTION

### 1.1. Background

Information and communication technology have brought many positive impacts in today's business world. The internet can now be used as a tool to enhance the business's world due to the rapid advancement of information and communication technology. One can reach a wider global market to gain a greater competitive advantage with the help of the internet (Lalita et al., 2021). Furthermore, efficiency in business processes is significantly enhanced through ease of transaction, system automation, customization, monitoring, data analysis, etc. Digital business has been the new era of business, especially in Indonesia, which is shown by the number of growing e-commerce. However, the current economy shows that only B2C (business to consumer) and C2C (consumer to consumer) e-commerce are thriving significantly, leaving B2B (business to business) e-commerce behind. While B2C and C2C e-commerce are still involving end customers, B2B e-commerce only involves corporations, MSMEs, and other business entities. The market in B2B e-commerce industry is wide for grasp, and Bitubi is one of the frontrunners. With monthly Gross Merchandise Value (GMV) reaching almost 9 trillion rupiah during 2020 to 2021, Bitubi keep on providing solutions for MSMEs to upscale their business into its utmost potential.

Globally, B2B e-commerce market was valued at \$14.9 trillion which is five times larger than of the B2C market. Quoted from Robertson (2018) article, they predict that B2B e-commerce will account for 17% of all B2B sales in the U.S. by 2023, reaching the number of \$1.8 trillion. B2B e-commerce in Indonesia has been thriving with an estimated value of \$1.5 billion in 2018

and is anticipated to grow at a CAGR of 50-55% to reach \$30 billion by 2025. MSMEs contribute to \$0.5 billion in 2018 and are expected to grow to \$14 billion in 2025 (Xendit, 2022). The number of successful B2B e-commerce also rises with start-ups such as Ula, Ralali, Warung Pintar, Mbiz, Bizzy group, and Bitubi have revolutionized B2B e-commerce in the Indonesian market with the main focus of shortening the supply chain. B2B e-commerce is a highly enticing prospect for Indonesia's multi-billion-dollar general FMCG trade segment (Consultancy.asia, 2021). The potential growth of B2B e-commerce also contributed by the rise of FMCG's sector in Indonesia as B2B e-commerce drove value by streamlining supply networks resulting in a more robust demand (Howell, 2021). The Deputy Trade Minister of Indonesia, Jerry Sambuaga forecasted the B2B e-commerce market size in Indonesia can reach \$21.3 billion in 2023 mentioning the myriad of opportunities that comes with it. He went on to mention how government had been using B2B e-commerce to scale up MSMEs participation in public procurement, access to loans and mentoring. Indonesia's digital penetration has jumped from 30% since 2015 to about 75% in 2020 supported by the behavioral changes in consumers due to pandemic as B2B e-commerce become the best choice for stock replenishment for business. However, a report from the Ministry of Communication and Information in 2019 shows that in 2017, 4.7 million Indonesian MSMEs are using digital platforms, or only 7.4% of all MSMEs in Indonesia proving that the digital adoption of businesses is still low despite its evident potential in upscaling their business.

Start-up as one of the hopes in driving the industry to develop digitally, several of them had collapse due to various reasons. Spokeperson of the Ministry of Communication and Information Technology, Dedy Permadi, said one of the factors in the collapse of start-up is lack of managerial expertise (Bestari, 2022).

Stoqo, a B2B platform founded in 2017, collapsed within 3 years operating due to its inability to survive the pandemic which root can be traced to lack of organic online orders from the demand sides. Meanwhile, Eden Farm and Wahyoo, also Indonesian based B2B e-commerce, also felt the impact of the pandemic and aims to develop their digital ecosystem to encourage digital activities in supporting their business process (Agung, 2020).

Worsen by the landscape of Indonesia as an archipelago, a collection of 17,000 islands making it tough to build an effective logistics and supply chain ecosystem. A report from L.E.K. Consulting in 2021 stated that the key in the growth of B2B e-commerce lays on the infrastructure such as logistics in complementing the B2B e-commerce ecosystem with last-mile delivery. With that in mind, several B2B e-commerce have presented a unique model with their own competitive advantage aiming to capture the growing market. Mitra Tokopedia and GrabKios have leverage on their wide range of services while Bitubi is trying to build their own ecosystem from marketplace to logistics.

MSMEs are the most important pillars of Indonesia's economy. As the potential and importance of MSMEs are very high, it is also crucial to keep looking for room for improvement to maximize its potential. Based on the Ministry of Cooperatives and Small and Medium Enterprises, Indonesia have 64,19 million number of MSMEs in 2021 with a 61,97 percent or 8,6-billion-rupiah contribution to Indonesia's GDP with the strong ability to absorb the total workforce and can collect up to 60,4 percent of the total investment (Herman et al., 2018).

B2B e-commerce is one of the digitization efforts to enhance the efficiency and effectiveness of MSMEs. Developing a business or MSMEs with the use of B2B e-commerce can provides unreal competitive advantage such as reducing transaction costs because it can eliminate intermediaries, identify new markets, improve intra and inter-organizational communication, build

better relationships with suppliers, and have more opportunities to have a wider business field with other big companies (Nirwan & Dhewanto, 2015). By using B2B e-commerce, it does not only serve many benefits for the business but also allow larger opportunities to achieve greater efficiency and effectiveness for its competitive advantage from access to loans and mentoring (Lalita et al., 2021).

## **1.2. Research Gap**

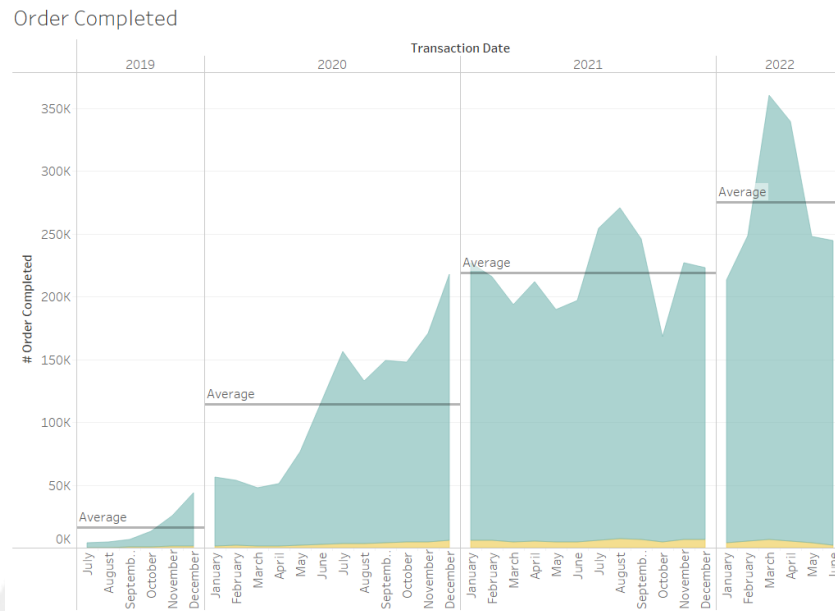
Research on B2B e-commerce has been abundant about its impact on MSMEs but there hasn't been any that discusses the B2B e-commerce itself using specific companies as case study for a more in-depth analysis. Xuhua et al. (2019) analyze the effect of business e-commerce adoption to the competitive advantage of MSMEs and find positive significant results such as an increase in market share, sales, customer satisfaction, business efficiency, and access to new markets. The research suggests the importance of B2B e-commerce to MSMEs. Technological, organizational, and environmental factors have significant impact on B2B e-commerce adoption for MSMEs as one of the keys in a success of B2B e-commerce business (Ocloo et al., 2020). Lin et al. (2011) did research on key adoption challenges and issues of B2B e-commerce specific to the healthcare industry, suggesting supply chain and interoperability as one of the hurdles in maximizing the potential of B2B e-commerce. Lalita et al. (2021) also did research on the success factor of B2B e-commerce in Indonesia, suggesting further research using qualitative methods about the strategy that has been implemented by B2B e-commerce providers and the expectations of the services/goods providers companies in Indonesia.

## **1.3. Research Problem**

Bitubi steps in with a digital platform that connects manufacturers with retailers and wholesalers, providing them with higher sales volume, reduced operational cost, faster turnover,

and lower price, as well as transparency in transaction and documentation. However, the same as many other B2B e-commerce, one of Bitubi's first stumbling blocks in the attempts to modernize traditional retail is the reluctance to adopt technology among wholesalers and retailers. Despite having thousands of sales teams across regions to reach the wholesalers and retailers, the digital adoption rate is still very low. Digital adoption remains a big challenge since FMCG traders are rarely tech-savvy (Wavemaker, 2021). Agung Bezharie Hadinegoro, also the CEO of one of the leading Indonesia B2B e-commerce, mentioned the three key challenges in B2B e-commerce industry which are multi-layered processes in supply chain, asymmetric information among stakeholders, and skepticism on digital adoption (Racoma, 2021). Challenges in B2B e-commerce can also be concluded into lack of end-to-end ecosystem in the industry. Warung Pintar is one of the frontrunners in building an end-to-end ecosystem in B2B e-commerce industry, started by strengthening their business model (Racoma, 2021). Meanwhile Bhinneka, one of the oldest B2B e-commerce in Indonesia founded in 1993, has been actively strengthening its B2B services by presenting an innovation called the Business Super Ecosystem (Asti, 2021).

As shown below, Bitubi has a very healthy number of orders completed growth from year-to-year basis despite the pandemic that occurs within their early founding years. In 2019, they recorded around 16 thousand orders monthly grows to around 114 thousand orders monthly in 2020, 218 thousand orders monthly in 2021, and lastly 275 thousand orders monthly in 2022 (recorded until August 2022).



**Figure 1.1 Number of Order from year to year, sourced from Bitubi case study**

Having such growth in number of orders on year-to-year basis are very impressive especially despite during the pandemic, they still manage to keep the average number of orders increase. However, with the abundance of B2B e-commerce in Indonesia, it would be thoughtful to research or explore the competitive advantage in B2B e-commerce by using the case study of Bitubi.

#### 1.4. Research Question

Based on the research problems above, below is the research question:

1. What are the strategic factors that contribute to the competitive advantage of B2B e-commerce business in Bitubi?
2. How are these strategic factors implemented by Bitubi to achieve competitive advantage in the B2B e-commerce industry?

## **1.5. Research Purpose**

With the description above, there is a need for research on the competitive advantage of B2B e-commerce business. The study aims to examine the competitive advantage of B2B e-commerce business in Bitubi that drives them to be one of the most successful B2B e-commerce in Indonesia, how the competitive advantage answers the specific challenges given by the industry, and how Bitubi position their competitive advantage compared to other competitors. This study will benefit those who want to better understand the business landscape of B2B e-commerce in Indonesia on a more detailed or case view. This study will also benefit the Bitubi Management as they have a novel academic view of their competitive advantage.

