

ROLE AND FUNCTION OF SOCIAL COMMERCE TO INCREASE THE GROWTH OF MSMEs (MICROS, SMALL AND MEDIUM ENTERPRISES) IN INDONESIA

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ABSTRACT:

Indonesian Micro, Small and Medium Enterprises (MSMEs) have their own definitions where the MSMEs category is determined by the Indonesian government, including based on capital, assets, turnover, etc. owned by a business unit so that the business unit can be said to be an MSME. MSMEs have many limitations, so they get special attention from the Indonesian government. Because of the limitations that exist, MSMEs need help to develop which is one way to develop it by increasing their sales performance. Increasing internet use, especially social media and ecommerce, provides MSME opportunities to increase their sales. This data uses primary data by observing MSMEs to obtain information about the obstacles faced when using social commerce so the results of this research explain the obstacles faced by MSMEs to sell their products through social commerce. Furthermore, this research will produce a model of social commerce use to help MSMEs increase their sales.

KEYWORDS—: MSMEs; Social Media; eCommerce

INTRODUCTION:

Number of MSMEs Based on data from The Central Bureau of Statistics of more than 57 million with a contribution of 6% of GDP [1]. The large number of MSMEs but making a minimal contribution to GDP indicates a low performance of MSMEs. The low performance is caused by the limitations of MSMEs in following

the development of information and communication technology and using it to develop their businesses. The diversity of MSME products is quite adequate, but because marketing and sales only use conventional methods, the results are not satisfactory. The success of smartphones and social media can be a suggestion for SMEs to sell their products. The number of Facebook users in Indonesia is more than 50 million users [2]. Meaning that with this many users, MSMEs can use social media to sell their goods. With social media MSMEs can build networks, form communities, and conduct product discussions and so on. The problem that causes the low social use of the community is considered to be a number of factors, including limited information and knowledge and a lack of awareness of the importance of information technology for the development of their businesses. This is caused by the complicated use of social commerce circles and the limitations of information technology. Furthermore this research builds a sales mechanism through social commerce for MSMEs. This research begins by studying the problems faced by the umm then managing the needs needed so that MSMEs can use social commerce to sell their goods.

The potential of E-Commerce in Indonesia, which is also related to social media has a value of 134 billion dollars, but with various obstacles, especially The level of customer trust in ecommerce and complicated payment methods, transactions are absorbed by less than 1% [3] to build trust in ecommerce transactions has been not easy because of the

low customer interaction with transactions through the e-commerce website. Meaning that trust in e-commerce can be built through increasing the intensity of interaction with e-commerce websites. trust also needs to be built between sellers and buyers in ecommerce within the MSME context, so buyers of MSME products also need to be assured that the products they buy from MSMEs are in accordance with what they want [4] Trust in social commerce transactions by including clear information about the profile of MSMEs, detailed product information with specifications and product warranty. The clarity of the payment mechanism is also important to build transaction trust in social commerce. Another thing that needs to be considered by MSMEs is the rapid response to questions from customers and testimonials from other customers who have used MSME products. The method most often used for payment of social commerce transactions is via bank transfer. The buyer will make payment confirmation by sending proof of payment through the ATM to the seller and the seller will send the product ordered by the customer. For future development, the E-Commerce market and users who start transactions through cellular gadgets will demand high transaction speeds. The previous researches about MSME and Ecommerce [10], Social media for MSMEs impact financial and non financial performance[11] and Ecommerce for MSMEs with cultural transformation online shopping[12]

LITERATURE STUDY:

A. Social media:

Social media consists of two words, namely "media" and "social". "Media" is defined as a communication tool [5]. While the word "social" is defined as a social fact that each individual interacts with the community environment. Thus the definition can be conveyed that the

media and other soft tools are social processes or products of social processes. (Durkheim in Fuchs, 2014). In other words, social media is defined as a medium for social interaction. In the context of information technology, the definition of social media is related to the development of information technology itself. The development of information technology related to social media including the development of web 1.0 to web 4.0. The web technology will affect human interaction through social media. 50 million more Facebook users in Indonesia or around 20% of the total Indonesian poll [2], while Twitter users in Indonesia amount to 30 million users [3] shows a potential number for developing sales through social media. Using social media for commerce is new business model.

B. E-commerce:

According to Laudon and Laudon (1998) E-Commerce is a process of buying and selling products electronically by consumers and from companies to companies with computers as intermediaries for business transactions. The media that can be used in e-commerce activities is the internet world wide web.

C. Social Commerce:

Social commerce is a combination from social media with e-commerce. in other words, social commerce is a sales activity with e-commerce that uses social media, online media that supports interaction and user contributions, to increase sales and online purchases [6]. Social commerce in general is a trading activity through social media. In social commerce, people trade or search trading opportunities by participating and / or engage in an online environment collaborative [7].

METHODOLOGY:

D. Research Diagram:

The diagram below explains the research flow of social commerce for MSMEs

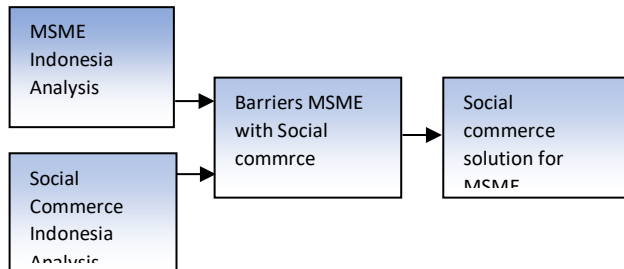


Figure 1.

Figure 1 describes the research process that starts from analyzing Indonesian MSMEs conditions in order to study the MSMEs business conditions related to the implementation of social commerce. The next step is to analyze social commerce in Indonesia to see the opportunities that exist. Furthermore, analyzing the constraints faced by the MSMEs to implement social commerce and the results in the form of a social commerce solution diagram architecture for MSMEs

E. Problem of Social Commerce on Indonesian MSME:

MSMEs have differences with other businesses. These differences include limited capital, limited number of workers, limited knowledge [4]. MSMEs limitations in Indonesia are caused by several factors. the first factor is caused by internal factors such as capital constraints, limited business development capabilities, limited business knowledge and limited knowledge about the use of information technology especially social commerce. Other factors that come from outside are intensifying competition, difficult business development permits and limited information about business development. Based on observations to several MSMEs, there are problems that hinder MSMEs from using social commerce to support their sales

1. MSMEs do not have human resources that understand information technology, internet, smartphone etc.
2. MSMEs do not have knowledge about social media, which can be used to support company sales. So there is no desire to use social media to develop the MSMEs market.
3. MSMEs do not have an infrastructure that can be used for social commerce implementation including hardware and internet networks.
4. MSMEs do not have knowledge about smartphone operating system android or IOS apple to operate social media for commerce.
5. MSMEs do not have knowledge about The complexity of the use of social media to support public sales is another factor that hinders after the MSMEs knows social media
6. The use of social commerce to support MSMEs sales requires adjusting business processes.

F. Social commerce in Indonesia:

Some of the social commerce features that can be used to support MSMEs sales are as follows

1. Product promotion or selling goods can use short messages in several applications such as Blackberry Messenger (BBM), Whatsapp, even Line.
2. Peer to peer sales platforms. MSMEs can use this feature by first building a community. This feature is available in several social commerce and marketing sites.
3. Social network-driven is one of the sales categories driven by social media.
4. Group buying is a feature that MSMEs can use to be able to sell at a lower price level if there are several buyers. For example, Groupon and LivingSocial.

5. Peer Recommendation is a sale originating from a website that shows reviews from previous buyers to increase the bargaining value of the product. Rewards will be given to parties who have given a positive review of the product they have purchased.
6. User-Curated Shopping is a way of shopping this shopping can be used by users to create and share with others about the list of products and services that can be purchased.
7. Participatory Commerce. Sales by involving directly in the production process.
8. Social Shopping Commerce that falls into this category is a website that seeks to connect between social media users and e-commerce.

RESULT AND DISCUSSION:

G. Increased knowledge of MSMEs about social commerce:

MSMEs must have some knowledge needed to sell products or services through social commerce as follows

1. Knowledge of hardware, especially smartphones. The smartphone is the main hardware that will be used to run social commerce applications. Knowledge of smartphones includes hardware specifications such as memory, smartphone capacity, power, parts, economic life, maintenance and repair of smartphones and others. Knowledge about smartphone specifications and configurations is very important for MSMEs to know because if a smartphone has a problem the sales process via social media cannot be done.
2. Knowledge of social commerce supporting software includes the smartphone operating system and applications on smartphones. In general, the smartphone operating system that is widely used in Indonesia is Android and IOS so MSMEs must know both types of operating systems. Knowledge of the operating system, includes knowledge about

how to install and uninstall applications on smartphones, how to update applications on smartphones, how to find applications needed on smartphones and more.

3. Knowledge of various social media applications on smartphones including knowledge of installing, uninstalling or updating and using features of existing social media applications on smartphones.
4. Knowledge of the creation and use of e-mail that will be widely used to run social media.
5. Knowledge of internet networks as a data transmission and communication media. Knowledge of the internet network includes how to connect and disconnect the internet network, how to purchase internet networks and others.
6. Knowledge of deep social commerce usage. This knowledge is very necessary so that MSMEs can maximize the use of social media to improve the sales of MSMEs products themselves. Such knowledge includes creating social media accounts, creating friendship accounts, your home page, messages, photos, videos, group pages, events, payments, marketplace, applications and games, mobile Facebook applications and desktop accessibility.

H. Social commerce for MSMEs:

The proposed social commerce for MSME s is shown in Fig. 2.

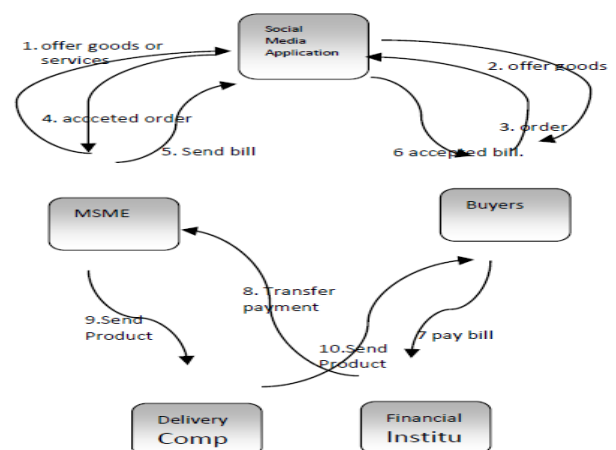


Figure 2.

Before you can offer or sell items through social media, there are several steps that must be taken. These steps are:

1. MSMEs must have an account on social media to be able to join the social media.
2. Then select the buy and sell features on social media and umm must be an admin in the buying and selling group.
3. Then select the product icon to be sold, then post the product.

Figure 2 describes the bidding process or sales of public goods through social media. The process is as follows:

1. MSMEs offer their goods or services through social media. After going through a series of social media activities such as creating an account, creating a buying and selling group and so on, MSMEs can offer goods or services offered.
2. Furthermore, customers who are interested in MSMEs goods or services will place an order for the goods or services offered by the MSMEs.
3. MSMEs will receive orders from customers through buying and selling groups on social media. Next, MSMEs prepares the ordered items to be sent.
4. MSMEs will make a bill before sending goods. After the bill is received by the customer, the customer must first make a payment for the goods ordered.
5. After the customer makes a payment, the customer must confirm that payment has been made. Payment confirmation can be done by sending proof of payment to the MSMEs.
6. After the MSMEs has received proof of payment from the buyer, then send the item to the buyer through the shipping company

CONCLUSIONS:

The research proposed the model of improve MSMEs sales performance with social

commerce. This model is able to support MSMEs Indonesia sales performance.

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