ICFBE 2020

The 4ᵗʰ International Conference on Family Business and Entrepreneurship

CHALLENGES OF DIGITALIZATION OF SMES (CASE STUDY IN TRADITIONAL CRAFTSMEN IN TASIKMALAYA)

Pandu Adi Cakranegara[1], Sujana Donandi Sinuraya[2], Dedi Rianto Rahadi[3]

Universitas Presiden[123]

pandu.cakranegara@president.ac.id[1], sujana@president.ac.id[2], dedi1968@president.ac.id[3]

ABSTRACT:

The Internet not only provides advances in technology but more than that the internet connects individuals. In Indonesia today there are several large startups that utilize the power of ecomony sharing starting from Gojek, Tokopedia, Bukalapak and many other startups. Go Jek not only brings together a vehicle owner with people who need to travel but also brings together a food vendor with people who want to order food. The same goes for Tokopedia and Open Lapak which have helped small retailers own online stores. Not to mention social media which provides an opportunity for small entrepreneurs to be able to promote their trade. The question of this research is why with all the progress and facilities available it is still difficult for SMEs to take advantage of all these facilities? This research consists of several parts. The first part of this study examines how the internet affects the fairies of life in Indonesia. The second part is that this research discusses how ideally a business utilizes internet technology. And the third part of this study talks about why there is a difference in the field between the use of the internet and the potential it should be.

Keywords: Internet, SMEs, digitization, social media marketing

Introduction

Indonesian society is a dynamic society and open to change. This is influenced by the long history of Indonesia located on the trade route so that many foreign cultural influences enter and acculturate with local culture (Abdillah, 2019).

Back to the present Indonesian society is also open to various advances of the times, especially technological advances. Some indicators for this is that the number of Indonesian internet users reached one hundred and seventy million and is the country with the number four internet users in the world. These internet users are actively using social media. Indonesian society is an active user of technology products from the United States and is the number two user for several US technology products such as Twitter, Whatssapp and Instagram.

Figure 1. Indonesian Internet Users

Source: wereasocial and hootsuite 2020

Internet indicators consist of several levels. The first is an indicator of smartphone and computer ownership. The more people who have smartphones, laptops or computers, the more likely they are to be active on the internet.

The second indicator is how many internet users are active. Furthermore, from the number of users, how much time is spent on the internet. From the time of surfing in the virtual world is spent on any site.

Figure 2. Gadget to Connect to Internet
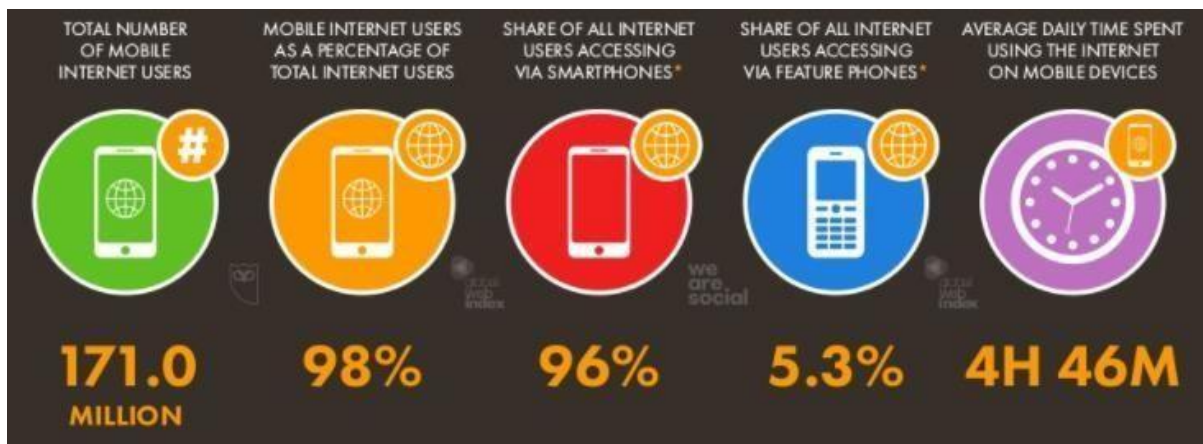
Source: wearesocial dan hootsuite, 2020

To know the potential of the internet market in Indonesia is to calculate the number of active internet users in Indonesia, how long they are on the internet and what sites are consumed. These three variables are important variables. First, with the more internet users, the bigger the potential market. Second, the longer a person is on the internet, the more likely he or she is to spend more money. Third, by knowing which sites people visit, you can know a person's retention rate in using the internet. For example, by joining a social media site then

it is more likely that someone will return to the social media site considering the number of contacts he knows using that social media.

Figure 3. Social Media Users in Indonesia

Source: wearesocial dan hootsuite, 2020

Social media is a site whose existence is important and influences the use of the internet. Social media sites are interesting sites because they are referred to as new media. It is called new media because it is different from traditional media. The first difference is in the content, the content creator is no longer as centralized as in traditional media. The second difference is in the type of content. Social media has much more content than traditional media. This is a phenomenon called long tail by Chris Anderson. The third difference is the quality of the content. There is a difference between the quality of content and the content that is distributed but it does not mean that new media does not provide quality content, it is just that quality content does not disseminate as much popular content. By using the mindset of the long tail phenomenon with the amount of content that is many times more than traditional media, even though the percentage of quality content is smaller by percentage but when multiplied by a large amount then the number will still be large.
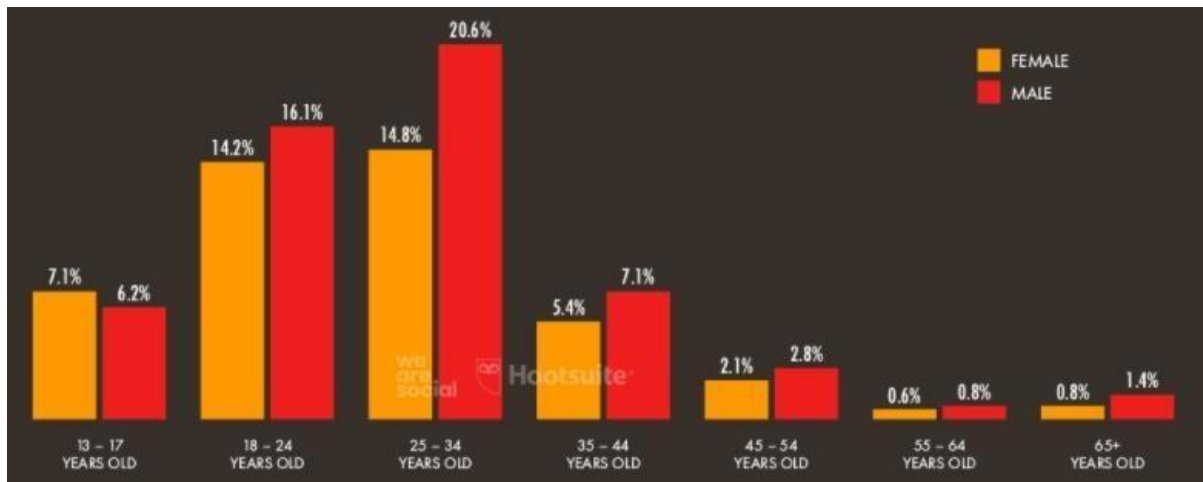
Figure 4. Demographics of Internet Users in Indonesia
Source: wearesocial dan hootsuite, 2020

In addition to the three variables above to determine the size of the market share there are other variables that are important to determine the number of internet users in the future, namely demographics. Demographic factors consist of demographic growth factors and demographic distribution factors. Figure 4 shows that Indonesia has young internet users. Young demographics are fast internet adopters so the younger the existing demographic owned by a country then the faster this younger generation will adopt the internet. Indonesia with a young demographic has the potential to adopt the internet faster.

From the above data, Indonesia has a large number of internet users and has the potential for now and in the future. This market share is potential for every company in Indonesia and also SMEs. The advantage of the internet is its global reach and unlike offline reach which is limited at a certain distance. Despite the great potential of the internet, many SMEs in Indonesia have not used the internet. This is the question in this study that is why SMEs do not adopt the internet? What are the obstacles that prevent the SMEs from adopting the internet?

Literature Review

Online marketing is one form of marketing. Online marketing not only moves a real store into the network or as an alternative place of marketing but is a form of marketing in its own right. Kiang (2000) divides companies into several dimensions ranging from quantity of product consumption, value offered and value differentiation. From these three things can then be grouped which products or services will be more effectively offered online. However, every company can benefit from online marketing.

Chaffey et al (2017) say that planning is an important part of creating an online marketing plan. This is especially for non-digital companies that have real goods and want to use online as a marketing tool. Native digital companies are actually a small part of existing companies. Most companies are companies that existed before the digital era. Some of these companies were disrupted and some were still minimally affected. With the planned digital marketing companies can reap the benefits of traditional marketing of digital.

Rose et al (2014) wrote that the first step in digital marketing is to identify digital platforms. Each platform has its advantages and appropriate ways to get the maximum effect. The platform here whether marketing will be done using individual sites, applications, aggregator sites, social media or other platforms. The choice of platform will influence the approach used in marketing goods and services.

Neti (2011) exemplifies that social media is a more suitable platform for building deeper relationships with consumers. So social media is not just a place to put sales online but more to the means of corporate communication. Thus what needs to be built is communication. The requirements of communication are two-way, with clear and recurring targets.

Evans (2010) writes in his book that building effective communication using social media requires time, planning and effort. Every day an entrepreneur needs to invest time to take advantage of social media. Specifically the time is how by allocating one hour a day an entrepreneur can take advantage of social media. In the company itself social media has been handled by a dedicated team considering the extent of activity in social media campaigns.

Saravanakumar (2012) states that every era has its means of communication and marketing, respectively. Entrepreneurs used to use newspapers to inform their goods and services. After the advent of television entrepreneurs used television to advertise. Now that role is held by social media. Just as newspapers are different from television, so are social media different from television. Entrepreneurs cannot ignore this change if they want their products to be marketed to consumers in this era.

Diagram 5. Five Steps in Marketing through Social Media

Source: Smart Insight, 2020

Felix et al (2017) stated that there should be a strategy in managing social media marketing. One of the stages that can be used is the stage in figure 5. The social media

marketing framework consists of plan, reach, act, convert and engage. These five stages are the foundation of each other. From this diagram it can be seen that social media is different from traditional media mainly because there is interaction with consumers. This is a challenge and at the same time an advantage of social media. Consumers who have converted and engage with a brand can also help voice a brand.

Ultimately a marketing action must be measurable in its effectiveness. In this case it is called Return On Investment marketing. Just in calculating ROI not only with one indicator in the form of corporate profits but with several criteria according to the type of social media used. Ultimately with companies having a close relationship with consumers can translate into sustainable profits (Hoffman et al, 2010).

Methods:

This research is a qualitative research using several methods. The first is to use semi-structured interviews. Semi- structured interviews are interviews using some of the questions that have been prepared in advance. The hope is that by preparing a few questions at the beginning there will be similar starting points and data that is expected to be collected. The advantage of semi-structured questions is that they provide an opportunity for the source to tell the information they have (Whiting, 2008).

The second approach is to analyze internet development data in Indonesia. The data analyzed is secondary data from trusted public sources. By using a combination of these two methods, the information from the source can be verified with the data available to check the objectivity of the information from the source.

The third approach is to observe in the field the behavior of SMEs entrepreneurs. This observation is a participatory observation in which researchers are involved in direct activities of SMEs entrepreneurs. This observation is done by visiting SMEs and spending time with SMEs entrepreneurs and see how their daily production.

The sample selected are traditional SMEs entrepreneurs in Tasikmalaya who produce typical Tasikmlaya handicrafts. A special value indicator is that the product cannot be found anywhere else. In the case of the selection of typical Tasikmalaya handicrafts, the author chooses three handicrafts that qualify as the typical handicrafts of Tasikmalaya. The three crafts are Kelom Geulis, Payung Geulis and Batik Tasikmalaya.

Kelom Geulis is a sandal made of wood from the acculturation of colonial culture with Sundanese culture. The uniqueness of Kelom Geulis is in its motifs and the use of wood and fabric materials. In other areas there are wooden slippers but not combined with fabric but usually combined with rubber material to make the price more economical.

Beautiful Umbrella is a paper umbrella. Not many in Indonesia use paper umbrellas. In addition to not being as durable as umbrellas from fabric, paper umbrellas require special expertise in their manufacture. The distinctive feature of Tasikmalaya Beautiful Umbrella is in the shape of the umbrella and its motifs. The shape of the Beautiful Umbrella is flatter because one of its uses is to be displayed as a decoration. Therefore, the shape is designed to be easy to place, one of which is on the wall of the house.

Tasikmalaya batik is a typical Tasikmalaya batik. Tasikmalaya batik like other batik in the archipelago consists of batik and stamp batik. The main difference of Tasikmalaya batik is in the selection of motifs and colors. Tasikmalaya batik motifs take the motifs of nature and the wild animals that exist in nature. While for the color it tends to take bright colors.

From these three categories, selected SMEs that have stood for more than one generation. The reason for this election is that this SME has a long history of operations. The second reason is to choose SMEs that are more than one generation can be seen the development of SMEs before and after the existence of the internet. Whether the SMEs use the existence of the internet to develop their business.

Discussions

Tasikmalaya regency is an area that has the contours of hills with a mixture of modern and traditional atmosphere. By road access has connected various regions in Tasikmalaya and connects Tasikmalaya with various areas of other districts and cities around. In the cultural background of Tasikmalaya regency with Sundanese cultural background.

The people of Tasikmalaya have known the internet. Although in the district area there are still many areas that do not have access to the internet using cable but residents can use a mobile phone to connect to the internet. The Internet is no stranger to the people of Tasikmalaya Regency.

Crafts in Tasikmalaya Regency are spread in several villages. Each village has its own characteristics. There are villages that produce kelom crafts and there are villages that specifically produce batik crafts or beautiful umbrellas. This is due to the lack of formal schools to teach techniques in the making of this craft. So learning how to make a craft through direct observation and being taught by people who are used to making it. When an employee already has the skills and he wants to be independent then he can open his own craft. However, because workers are usually family or neighbors, this makes the spread of ability in mastering the technique of a craft not spread out of the village.

Just like other areas in Indonesia. Culture in Tasikmalaya is the result of acculturation of local culture, namely Sundanese culture with various cultures such as Chinese culture that entered through trade, Arab culture that entered through trade and spread of religion as well as European culture, especially Dutch that entered through colonization (Darusman, 2016). One of these forms of acculturation is seen in the form of physical culture, namely the handicrafts of Kelom Geulis, Payung Geulis and Batik Tasikmalaya. This does not mean that this craft did not exist before but that it was influenced by Dutch acculturation. One example is the use of paper materials on Beautiful Umbrellas. Elsewhere outside Tasikmalaya, the material used is cloth because it is more water resistant and durable. But in Tasikmalaya Beautiful Umbrella uses paper material and is not only used for umbrellas but has aesthetic value and symbolic meaning.

Workers in this craft are close family members or neighbors. The types of workers in this sector are informal workers. Usually the recruits are the locals. Not all are full-time workers in the sense that there are seasonal workers who work when not working in the agricultural sector and when not being a farm laborer. Training is done with the handling system. A newcomer usually has a lower wage. The workers begin by making a part of the craft. When he had begun to master one part and his supervisor felt he could be taught

something else then the worker began to learn another part. This process continues until an employee can make the entire section intact. In the end there will be a division of tasks to make the work more efficient but ideally experienced workers have the ability in every production process.

UMKM in Tasikmalaya belongs to a family that has been running for more than a generation.

SMEs in Tasikmalaya are mostly family companies that have consisted of several generations. In fact, the average is the third and fourth generation which means it is now managed by the grandchildren or great-grandchildren of its founders. Some SMEs are only producing and some even sell to end consumers in Tasikmalaya City (Yulia et al, 2020).

The government of Tasikmalaya encourages the sustainability of SMEs to produce traditional handicrafts by requiring civil servants every Friday and big days to use the typical batik of Tasikmalaya. Apart from that, the government also urges the public to buy Beautiful Umbrellas to be displayed at home to show the special features of Tasikmalaya. The government also urges the general public to use Kelom Geulis and Batik Tasikmalaya every time they hold events, especially customary events such as weddings and celebrations. The government's call to make people use local handicrafts and creates demand for local handicraft products. This is not a problem because SMEs entrepreneurs think that there is a capture market, namely the people of Tasikmalaya. This was not a problem until the Covid 19 pandemic came. One of the disruptions caused by covid pandemic 19 is the ban on people gathering. If people do not gather then people do not need the items used in the gathering event. This lowers the demand for handicraft products.

One of the alternatives that can make SMEs survive the pandemic is to sell their products online. From interviews with SMEs entrepreneurs they have had an online presence on social media such as Facebook and Instagram. But entrepreneurs do not feel online to provide additional income because most buyers remain the surrounding community.

Figure 1. Google Search Results with Beautiful Umbrella Keywords

Source: Collected by Author, 2020

Using online indicators such as using search engines is found when the keyword Beautiful Umbrella is typed resulting in as many as 11 pages of search results. Of the 11 pages of this search result, there are no sites from typical SMEs in Tasikmalaya. In fact, being on a page other than the first page is likely to be searched by consumers, especially when it is no longer indexed by Google. This is also the same as Kelom Geulis and Batik Tasikmalaya products. Generally search results show cultural content created by mainstream media such as content created by TV parties or articles from Online Newspapers (Plaza, 2011).

Google is a search engine that indexes all the information on the Internet. Google serves as the first reference for internet users when searching for something. Google uses an algorithm that automatically indexes web pages. Although the algorithm is constantly changing according to the latest conditions, the two main things that remain the benchmark are the complete and up-to-date information. By providing complete information and constantly updating information about the product, SMEs entrepreneurs can be indexed on Google. To use Google as an example seen from pages that have a high index, SMEs entrepreneurs not only provide minimal descriptions but also product backgrounds so that consumers get various dimensions such as information from a media.

Figure 2. Search Results in Facebook Search with Keywords Kelom Geulis

Source: Collected by Author, 2020

By using keywords on the Facebook search page you can find Kelom Geulis sellers. There are about ten Kelom Geulis sellers. Of the ten sellers, the most followers have seven followers. This is a very small amount for a commercial venture. A store in the real world will close if there are only seven visitors. This can be used as a comparison (Mutaqqin, 2012).

Facebook is a social media that seeks to create an online community. Just like a community in the real world, a community will be formed when the people in it have the same interest. In addition to the same interest there should also be regular activities in the community that make people interested in staying involved and actively participating in the community. Of course in this case the community can not be called a community of beautiful buyers. Big brands incorporate values in shaping their communities. Nike, for example, approached the sports community to sell its shoes. Shoes sold by Nike are of various types and for general users who are not professional athletes but this is how Nike formed its community. To create a community of buyers Kelom Geulis can be done by forming a community of

cultural observers Tasikmalaya or the like.

One of the potential social media to promote and market products is Instagram because this social media is image- based social media. On Instagram when typing Beautiful Umbrella it appears that the Beautiful Umbrella seller appears to have only a few posts, and few followers. The umbrella image displayed is not professionally photographed. Instagram is social media and not a blog. Stored photos will only be meaningful when the account owner actively has followers and actively follows others (Virtanen et al, 2017).

Instagram is different from blogs. Both have the function of being able to accommodate a number of images and display them. But Instagram is social media. Images posted by the account owner will be shared with their followers and followers. The concept of Instagram is like sharing information in the form of images. Images here have important information for Instagram social media users, so it is important to provide images that provide informational value rather than images as catalogues. What can be done is to provide pictures of how beautiful umbrellas are used as a form of decoration so that the community on social media Instagram knows that Beautiful Umbrellas have an aesthetic function. Or in the framework of a big day like Independence how Beautiful Umbrella craftsmen can participate by creating Beautiful Umbrella products that have the theme of independence.
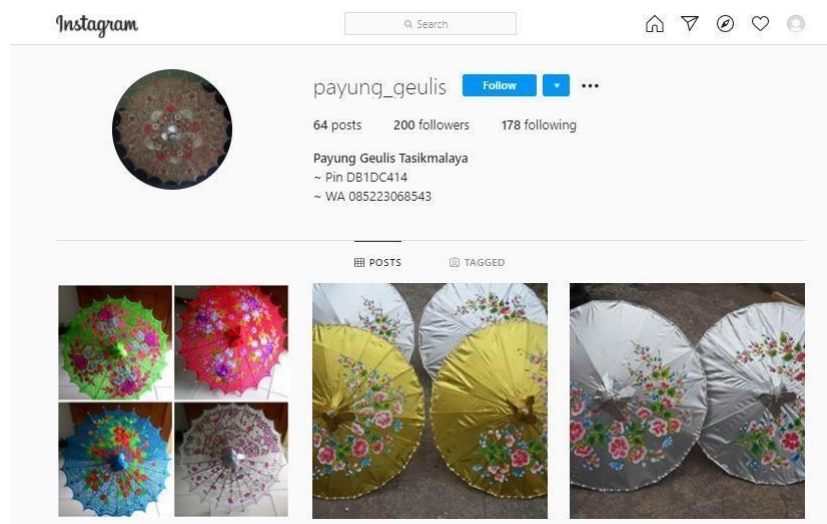

Figure 3. Search Results on Instagram with Beautiful Umbrella Keywords

Source: Collected by Author, 2020

From the three indicators it appears that what is meant by the presence of the internet by SMEs entrepreneurs is different from the criteria that ideal online marketing. It is therefore reasonable if there is no maximum result of online marketing efforts. Online marketing is not just done by becoming a member of Facebook or Instagram or creating a site but there must be active efforts in doing marketing actions (Genoveva et al, 2017).

When asked if SMEs entrepreneurs have plans in marketing online, these entrepreneurs do not have plans on intensive use of social media. There are UMKM entrepreneurs who

aspire to market their products abroad and there has been an export demand. There was also a request from a businessman from Bali. The challenge is that the SME entrepreneurs in Tasikmalaya do not have access to buyers. So far, the expected buyers are buyers who come to the city of Tasikmalaya.

There used to be an entrepreneur from Jakarta who helped like souvenir.id who photographed products from SMEs in Tasikmalaya for sale nationally but the results were small. This can be understood because these handicrafts are typical of Tasikmalaya so their value outside Tasikmalaya will be different. However, this does not mean that the traditional goods typical of Tasikmalaya do not have the opportunity to become items that are used nationally and even internationally.

One example is batik that can now return to modern fashion. However, there needs to be an effort not only to revitalize the brand but also to modernize its function. One of the things that needs to be done is to make the product have modernity value. This challenge is a big challenge and the road is long. But one thing that can be done quickly for SMEs entrepreneurs is the first part of the framework in figure 5 is reach. By focusing on reaching potential consumers, SMEs will be able to move to the next stage.

One of the findings of this study is the need for online marketing training. In addition to more important training is assistance. SME craftsmen are not entirely the older generation, some are also the younger generation who are internet literate and are active social media users. This is a supply to be able to bring SMEs into digital. But the most difficult change is not a physical change but a change of mindset. This is where government and educational institutions can play a role.

Conclusions:

From this research it can be seen that there is a difference of perception between the term ideal internet utilization and the term having a social media account on the internet. Based on the findings of observations on the internet found some SMEs that even have their own sites. However, the site still does not meet the requirements of the ideal website that is informative and active. The consequence of this is that the site is ranked low in Google and far out of reach of online shoppers looking for products using Google.

The same thing happens with the use of social media. Almost all SMEs entrepreneurs are aware of the importance of the internet. They use the internet by creating social media accounts such as Instagram and Facebook. However, this account is not managed and is left inactive once created. As a result, although this account exists, it is also not informative even when found by online consumers.

The author's findings are the main obstacle in using the internet is not awareness of the importance of using the internet but the mindset in using the internet. SMEs have a mindset that the use of the internet is like opening a real store where consumers will come by themselves. The mindset that needs to be developed is that if the internet presence is not well managed then it will not have any impact.

The scope of this research is an area recognized by the author to facilitate observation, interview and data collection especially due to the Covid 19 pandemic that restricts individual movement. In the future, it can be examined whether the same thing happened to SMEs in

other places. In addition, it can also be researched in SMEs with traditional products established by the younger generation to see if they have utilized the internet as much as possible.

References:

Abdillah, F. S. (2019). *PENGEMBANGAN KREATIVITAS DALAM MENYAJIKAN MATERI AKULTURASI BUDAYA DENGAN MENGGUNAKAN MEDIA POTENSI LINGKUNGAN MELALUI TEAMS GAMES TOURNAMENT: Penelitian Tindakan Kelas di Kelas X AP SMK Bina Muda Raksa Kabupaten Garut* (Doctoral dissertation, Universitas Pendidikan Indonesia).

Chaffey, D., & Smith, P. R. (2017). *Digital marketing excellence: planning, optimizing and integrating online marketing*. Taylor & Francis.

Darusman, Y. (2016). Kearifan Lokal Kerajinan Bordir Tasikmalaya Sebagai Ekonomi Kreatif Terbuka Untuk Modern (Studi di Kota Tasikmalaya Jawa Barat). *Journal of Nonformal Education*, *2*(2).

Evans, D. (2010). Social media marketing: An hour a day. John Wiley & Sons.

Felix, R., Rauschnabel, P. A., & Hinsch, C. (2017). Elements of strategic social media marketing: A holistic framework. *Journal of Business Research*, *70*, 118-126.

Genoveva, G., & Siam, S. T. (2017). Analysis of marketing strategy and competitive advantage. *Journal of Economic & Management Perspectives*, *11*(1), 1571-1579.

Hoffman, D. L., & Fodor, M. (2010). Can you measure the ROI of your social media marketing?. *MIT Sloan management review*, *52*(1), 41.

Kiang, M. Y., Raghu, T. S., & Shang, K. H. M. (2000). Marketing on the Internet—who can benefit from an online marketing approach?. Decision Support Systems, 27(4), 383-393.

Muttaqin, Z. (2012). Facebook marketing dalam komunikasi pemasaran modern. *TEKNOLOGI: Jurnal Ilmiah Sistem Informasi*, *1*(2).

Neti, S. (2011). Social media and its role in marketing. International journal of enterprise computing and business systems, 1(2), 1-15.

Plaza, B. (2011). Google Analytics for measuring website performance. *Tourism Management*, *32*(3), 477- 481.

Rose, R., Goodyear, N., Matthews, C., Wiles, J., Seaman, M., Derfer, B. D., ... & Paoni, G. (2014). U.S. Patent No. 8,788,334. Washington, DC: U.S. Patent and Trademark Office.

Saravanakumar, M., & SuganthaLakshmi, T. (2012). Social media marketing. Life Science Journal, 9(4), 4444-4451.

Virtanen, H., Björk, P., & Sjöström, E. (2017). Follow for follow: marketing of a start-up company on Instagram. *Journal of Small Business and Enterprise Development*.

Whiting, L. S. (2008). Semi-structured interviews: Guidance for novice researchers. *Nursing standard*, *22*(23).

Yulia, L., & Setianingsih, W. (2020). STUDI MANAJEMEN MARKETING BERBASIS ONLINE (PENELITIAN PADA UMKM PRODUKSI MEBEL DI BABAKAN MUNCANG TAMANSARI KOTA TASIKMALAYA). *JURNAL MANEKSI*, *9*(1), 346-354