

## **E-Marketing as a Business Advantage for Improving Sme's Competitiveness in Lombok Island - Indonesia**

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### **Abstract**

The success of Small and Medium Enterprises (SMEs) is the availability of a clear market for the products. Meanwhile, the fundamental weaknesses faced by SMEs in marketing are low market orientation, weakness in a complex and sharp competition and inadequate marketing infrastructure. Faced with an increasingly open market mechanisms and competitive, market control is prerequisite for improving competitiveness. Therefore, expansion of market access with Web-based Information Technology is now needed as a medium for global communication. One thing that gives a competitive advantage in international trade competition is information technology of electronic marketing or e-marketing. This paper intend to shows the important role of e-marketing for SMEs in Lombok Island - Indonesia and how to develop the model of e-marketing.

**Keywords:** small and medium enterprise, information technology, e-commerce, competitive advantage

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### **INTRODUCTION**

The era of globalization is now also known as the New Economy Era, the Digital Economy Era. New Economy era marked by the application of Information Technology in running the economy. Application of Information Technology is now necessary in this era of globalization. Application of Information Technology required is development model of web-based business applications for small and medium enterprises (SMEs) in order to increase competitive advantage.

Small and Medium Enterprises (SMEs) have an important role in the economic and industrial growth of a country. Recognizing the role of SMEs in the economy of this country, it is appropriate if more government attention devoted to promoting self-reliance and success of

businesses in this sector. The groups of SMEs in Lombok Island – Indonesia can be seen in Table 1.

**Table 1 Groups of SMEs in Lombok Island – Indonesia**

NO	CITY/DISTRICT	GROUPS OF SMEs	PRODUCTS
1	MATARAM	1. Sentra Kerajinan Cukli	Kerajinan Kayu Cukli
		2. Sentra Bebetek	Bebetek
		3. Emas Perak dan Mutiara	Mas Perak dan Mutiara
		4. Kerajinan Tahu Tempe	Tahu dan tempe
		5. Sentra Tahu Tempe	Tahu dan tempe
		6. Sentra Kerupuk Kulit dan Tanduk	Kerupuk Kulit dan Tanduk
		7. Sentra Konveksi	Konveksi
2	WEST LOMBOK	1. Sentra Gerabah	Gerabah
		2. Sentra Kerajinan Kayu Cukli	Kerajinan Kayu Cukli
		3. Sentra Kerajinan Bambu	Kursi dan Meja
		4. Sentra Anyaman Ketak	Ketak
		5. Sentra Makanan Olahan	Dodol
		6. Sentra Kerupuk Kulit	Kerupuk Kulit
		7. Sentra Tenun Ikat Gumise	Tenun Songket
		8. Sentra Makanan Olahan	Kue Kering
		9. Sentra Kerajinan Batok Kelapa	Meubler
		10. Sentra Kerajinan Genteng	Genteng Bata
3	NORTH LOMBOK	1. Sentra Kerajinan Bambu	Tusuk Sate dan Gigi
		2. Kerajinan Tenun	Kain Tenun
		3. Kerajinan Bambu	Bakul, Keranjang
		4. Kerajinan Batok Kelapa	Meubler
		5. Kerajinan Pasir dan Batok Kelapa	Bingkai, Mangkok, Piring dll
		6. Sentra Makanan Olahan	Pisang Sale
4	CENTRAL LOMBOK	1. Sentra Kerajinan Ketak	Ketak
		2. Sentra Kerajinan Tenun	Tenun
		3. Kerajinan Perak	Perak
		4. Kerajinan Gerabah	Gerabah
		5. Sentra Makanan Olahan	Makanan Olahan
		6. Sentra kerajinan Ketak	Ketak
		7. Sentra Kerajinan Tenun	Tenun
		8. Sentra Kerajinan Tenun	Tenun
5	EAST LOMBOK	1. Kerajinan Bambu	Bebetek
		2. Sentra Kerajinan Gerabah	Gerabah
		3. Sentra Tenun	Tenun
		4. Sentra Konveksi	Konveksi
		5. Sentra Kerajinan Tenun	Tenun
		6. Sentra Kerajinan Tenun	Tenun

**Source: The Department of Cooperatives and SMEs, West Nusa Tenggara, 2016**

The general objective of this research is to support the achievement of the ease, efficiency, effectiveness in conduct business transactions and providing information that is accurate, timely and relevant so that business transformation can be done quickly and accurately. Additionally is to facilitate communication, exchange of data and information, cooperation with organizations / companies to quickly and accurately. The specific objective is to develop a model for the Web-based Business Applications for group of Small and Medium Enterprises (SMEs). All of these activities aim to support the strategic plan for excellence in competition to expand market share in the country and abroad.

## LITERATURE REVIEW

E-marketing must be defined to include the management of the consumer's online experience of the product, from first encounter through purchase to delivery and beyond. Digital marketers should care about the consumer's online experiences for the simple reason that all of them -- good, bad, or indifferent -- influence consumer perceptions of a product or a brand. The web offers companies' ownership and control of all interactions with customers and thus creates both the ability and the need to improve their overall experience.

There are two reasons for building the concept of e-marketing around consumer experiences. First, this approach forces marketers to adopt the consumer's point of view. Second, it forces managers to pay attention to all aspects of their digital brand's interactions with the consumer, from the design of the product or service to the marketing message, the sales and fulfillment processes, and the after-sales customer service effort.

Today definitions of e-marketing or e-commerce is very broad and much, because each author has a different point of view with other authors. In this paper, the author gives the definition given by Turban (2010) describes the process of buying, selling, transferring, serving, or exchanging products, services, or information via computer network Including the Internet. In the new economy era, there are some changes from the old economic era (Table 2).

**Table 2. The Comparison of New Economy vs Old Economy**

No	Activities	New Economy	Old Economy
1.	Buying	Buyers surf to the web	Buyers walk to the store
2.	Products order	Through the web feature	On the store
3.	Marketing activities	Social media, search engine, on-line ads	Brochure, leaflet, banner, M to M
4.	Physical evidence	Digital catalog or on-line catalog	Must have store to displayed the products
5.	Marketing cost	Cheaper relative	More expensive
6.	Consumer reach	Wider	Narrow

**Source: Turban (2010)**

The challenges faced by small entrepreneurs can be divided into two categories: the first is a Small Business with turnover less than Rp.50, 000,000 general challenges faced is how to protect the viability of their business. They can do their selling activities is enough? They generally do not require a large capital for production expansion, capital usually required just to smooth their cash flow. The second is a Small Business with turnover between Rp. 50,000,000, - up to Rp. 1,000,000,000, - the challenge is much more complex. Generally they start thinking of doing further business expansion. The problems are (1) do not have a system of financial administration and good management, because it is not the separation of ownership and management of companies; (2) the issue of how developing a proposal and a feasibility study to obtain loans from banks and venture capital for small businesses complain most convoluted procedure of getting loans, collateral is not eligible, and the interest rate is overvalued; (3) issue of business planning for the competition to capture the increasingly fierce market; (4) The issue of access to technology, especially if the market is controlled by a company / group of certain businesses and fast-changing consumer tastes; (5) problems obtaining raw materials, primarily due to the intense competition in obtaining raw materials, low-quality raw materials and high prices of raw materials; (6) issues of quality improvement and efficiency of goods, especially for those who are working on the export market due to rapidly changing consumer tastes, the market is controlled by a particular company, and many

substitutes; (7) labor problems because it is difficult to get a skilled workforce (Kuncoro, 2000).

### **The 7 Cs of E-Marketing**

The Internet allows for the entire sales cycle to be conducted on one medium, nearly instantaneously. From making the consumer aware of the product to providing additional information to transacting the final purchase, the Internet can accomplish it all. The Internet is like one big point-of-sales display, with easy access to products and the ability for impulse shopping. Impulse shoppers have found a true friend in the Internet. Within seconds from being made aware of a product, consumers can purchase it online. Further, with the targeting techniques available to advertisers, consumers who turn down a product because of the price can be identified and served a special offer more likely to result in a purchase. In the right hands, with the right tools, the Internet really is an advertiser's dream come true.

As opposed to the 4 Ps of brick-and-mortar marketing, the changing outlook in the area of e-marketing can be explained on the basis of 7 Cs of e-marketing.

**Contract:** The e-marketer's first goal is to communicate a core promise for a truly distinctive value proposition appealing to the target customers.

**Content:** refers to whatever appears on the website itself and on hot linked websites. If chosen appropriately, it can increase both the rates at which browsers are converted into buyers and their transactions.

**Construction:** The promises made by e-marketers are not unique to the Internet, but the medium's interactive capabilities make it easier for them to deliver on their promises quickly, reliably, and rewardingly. In practice, this means that promises must be translated into specific interactive functions and Web design features collectively giving consumers a seamless experience. Such design features as one-click ordering and automated shopping help deliver the promise of convenience.

**Community:** Through site-to-user and user-to-user forms of interactivity (such as chat rooms), e-marketers can develop a core of dedicated customers who become avid marketers of the site too.

**Concentration:** Targeting through online behavioral profiling. Advertisers have known for some time that behavioral targeting (a.k.a., profiling) is vastly superior to simple demographic targeting. Knowledge of a consumer's past purchases interests, likes/dislikes, and behavior in general allows an advertiser to target an advertisement much more effectively. Department stores have long kept track of consumers' past purchases. They are thus able to project what other types of products a consumer might be interested in and then send an appropriate coupon or sale offer. Credit card companies are the ultimate gatherers of behavioral targeting information. They maintain vast databases of cardholders' past transactions, and they sell lists of this data to advertisers. The same type of behavioral model is forming on the Internet. Publishers and advertisement networks monitor the items that a consumer has expressed interest in or purchased on a site (or network of sites) in the past and target advertisements based on this information.

**Convergence:** We will soon enter the next round of the E-marketing battle as broadband reaches the masses. The Internet will become more ubiquitous and wireless; televisions will

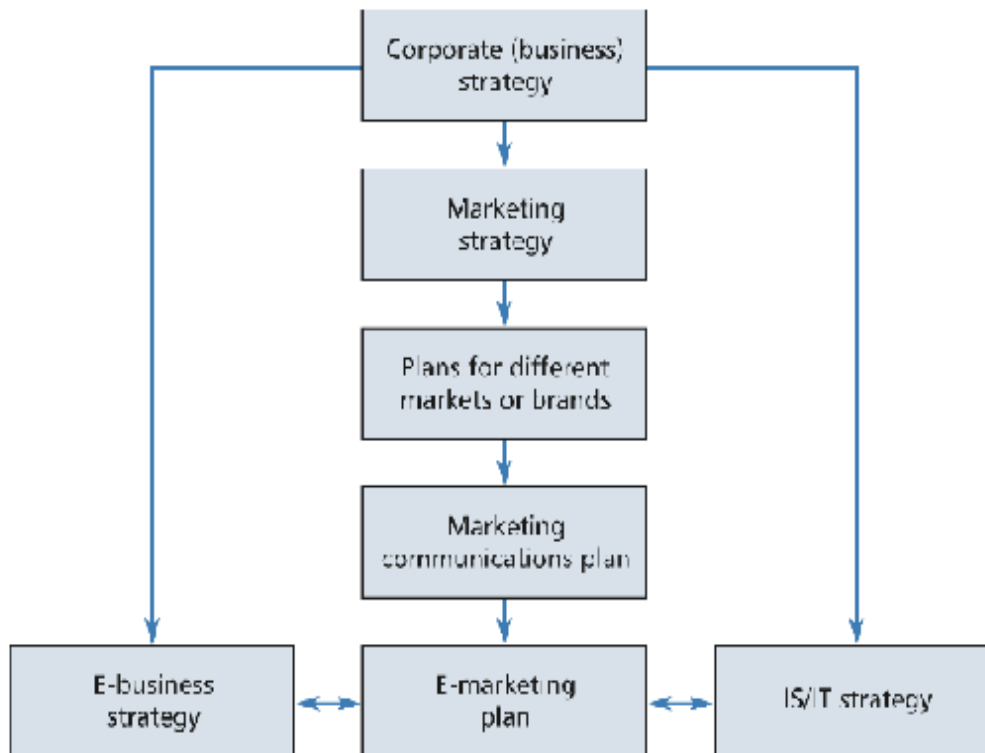
become more interactive; video/data/voice appliances will converge; brand advertising and direct marketing practices will integrate; domestic brands, commerce and marketing will become even more global; and big marketing spenders will spend more money online. Many companies that are well positioned today will need to continue to evolve to take advantage of the opportunities. The success of Internet advertising companies will largely be driven by how they maneuver among the coming developments. Rich media, brought on by broadband, will allow advertisers much greater creativity by bringing in new types of advertising to the Internet, as well as enhancing some of the more traditional forms. Broadband technology will allow the convergence of television and the Internet. Dubbed "interactive TV," in its simplest form, will consist of a television with some interactive capabilities. Basically, a user will see a television screen that is three-quarters traditional television, but with a frame that has Internet capabilities. This frame will allow users to access up-to-the-minute sports scores or news on the Web, for example. More importantly for E- marketers, it would allow viewers to immediately leap to the website of an advertiser whose ad was being shown. The user could find out more information or order the product right there.

Commerce: The last emerging fundamental of e-marketing is commerce, whether it includes offering goods and services directly, or marketing those of another company for a fee, thus helping to cover the fixed costs of site operations and to offset customer acquisition costs (Prashant Sumeet, [www.brandchannel.com](http://www.brandchannel.com), 2016).

According to Chaffey (2011, p. 388), e-marketing plan is the planning to reach marketing objective in e-business strategy. E-marketing plans is an addition for the specific e-business strategy which describe the objective spesificly through the marketing activities as marketing research and marketing communication. SOSTAC framework developed by Paul Smith (1999), used to develop e-marketing strategy and its implementation step by step. The analysis have to answer the question on each step below:

1. Situation – where are we now?
2. Objectives – where do we want to be?
3. Strategy – how do we get there?
4. Tactics – how exactly do we get there?
5. Action – what is our plan?
6. Control – did we get there?

In Figure 2. Show how e-marketing activities creates e-business strategy and built e-marketing strategy plan. Our concern is on the activities on the box.



**Figur 1 E-marketing Plan in different context of planning**  
Source: Schaffey, 2011

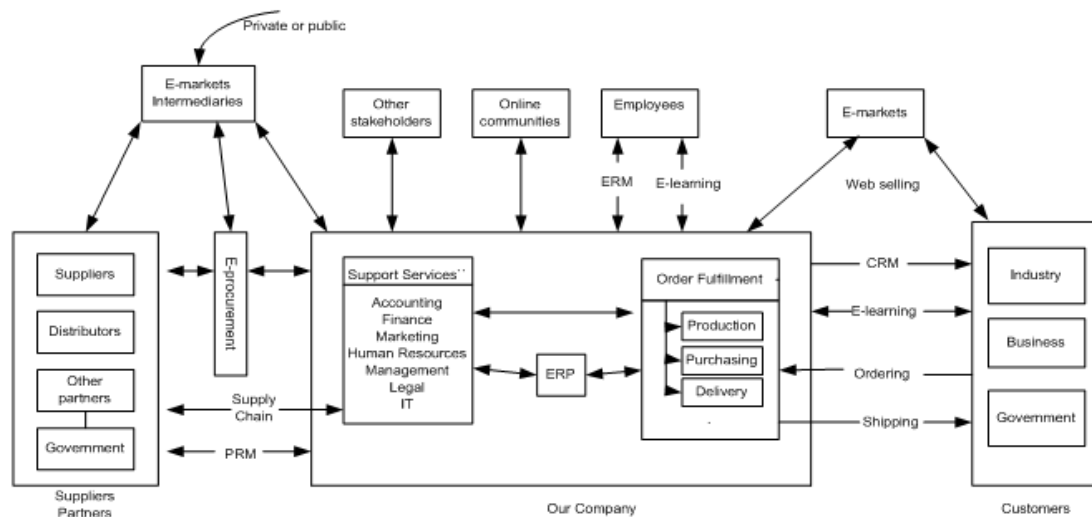
## METHODS

The method used in this research is the conceptual framework and empirical based review of the literature related to information technology, small and medium enterprises, e-commerce and e-marketing.

## DISCUSSION

### Application Design

In this research application design follow the SOSTAC framework developed by Paul Smith (1999) and rely on Turban's e-commerce transaction concept that involves three parties inside the concept. Through e-commerce transaction involves three parties (Figure 2), namely: suppliers / partners, managing web site (our company) and customers (customers) These three parties are interconnected to run e-commerce transactions, however in this research, we are concern to design the application in the box at first relay on the problem priority of SMEs in Lombok Island – Indonesia.



**Figure 2 Application Design Concept (Turban, 2010)**

Overall in the application to be constructed showing that the companies buy goods such as raw materials, goods for resale or services from its suppliers and business partners in a procurement process. Department of others such as finance, marketing support company activities.

The basic idea of e-marketing is the process of automation of every process in the company as at the start of the process of ordering goods, procurement of goods, delivery of goods to customers and even better service to its customers by creating a Customer Relationship Management (CRM). Customer Relationship Management is a marketing strategy that is to get customers and retain customers so that those customers will be loyal to the company.

Facing of increasingly open markets and competition, market control is a prerequisite to improve the competitiveness of SMEs. In order to dominate the market, SMEs need to get information easily and quickly, both information regarding the market for the output and the resources of production factors. Information on the results of market production is needed to expand the marketing of products produced by SMEs.

Commodity market information such as: (1) the type of goods are needed by consumers in certain areas; (2) how the purchasing power of such products; (3) how the prevailing market price; (4) the tastes of consumers in the local market, regional, and international levels.

According to Ishak (2005) information about market inputs are also needed, especially for determine: (1) a source of raw materials needed; (2) the price of raw materials to be purchased; (3) where and how to obtain venture capital; (4) where getting a professional workforce; (5) the level of wages or salaries eligible for workers; (6) which can obtain the tools or machines are needed.

Utilization of the Internet makes SMEs are able to do marketing with the purpose of the global market, so the opportunity to penetrate the export is very likely. Suyanto (2005) give an opinion about the positive things that can be obtained by utilizing the Internet in developing the business are (1) can increase the promotion of products and services through direct contact, information, and interactive with the customer (2) creating a distribution channel for products (3) the cost of sending information to customers more efficient when compared to the package or postal services (4) the time required to receive or send information very briefly, just in a matter of minutes or even seconds.

Implementation of e-marketing should also be supported by the system of payment and order fulfillment of the buyer, which is a portal containing content from the company. Means necessary to build the things mentioned above are categorized in e-infrastructure (generally contains systems that integrate the parts are interconnected, hosting, security, network wireless, network), e-process (generally a matter of payments and logistics) , e-market (generally a matter of marketing and advertising), e-communities (the problem of audience and business partners), e-service (Customer Relationship Management, Partnership Relationship Management and services that matter), e-content (supported by your provider content). All forms must exist to support the activities of e-commerce.

E-marketing transactions can be made by several parties. Common are as follows: (1) business-to-business (B2B) – in this transaction, both parties either buyer or seller is the company's organization; (2) business-to-consumer (B2C) – in this transaction, the seller is the organization, while the buyers are individuals. B2C is also known as e-tailing. E-tailing (Electronic Retailing) is the sales transactions either in the form of goods or services performed directly by using electronic storefronts or electronic malls; (3) consumer-to-consumer (C2C) – in this transaction, the seller is an individual who sells goods or services also to the individual. So between sellers and buyers are individuals.

In the B2B applications, the two sides both buyer and seller are company organization. This application uses electronic transactions with distributors, resellers, suppliers, customers and business associates to another. In application of B2B, organizations can conduct transactions in the expansion of the scope of the supply chain (value chain) with their business associates. According to Turban (2010), models of B2B applications are: (1) sell-side corporate marketplace; (2) The corporate buy-side marketplace; (3) public exchanges.

In the B2C application, sellers are organization and buyers are individual. Examples of the B2C models in this application is Electronic Storefronts and Electronic Malls.

From the application model both Business-to-Business and Business-to-Consumer can be seen that basically in the transaction model is similar to that done in the era of the old economy. That gave the difference here is the e-marketing make it easy to buy from anywhere, anytime for 24 hours a day and 7 days a week. Use of E-Marketing (24/7) because it has been put on the Internet facility. Then, more of the e-marketing also provide a large selection of goods and services, including items that are unique items, and in a fairly cheap price than if it bought in a store.

Online Sales and Online Purchase Transactions Basically, the sale and purchase transactions in e-commerce is almost the same with that done traditional. What distinguishes here are ordering and payments made online.

The following stages are there to make online sales and online purchases:

1. Online order – online order using the Order Form provided by sellers electronically. Seller provides a product list or catalog (Product catalog) sold which is usually accompanied by a description of the complete product with a picture of the product. At the time of filling out the order form, the buyer / customer asked for fill out the information for payment purposes (billing) and shipping (shipping). After charging order form is done, there is further provided the stage for the confirmation of orders up to the selection method of payment and the delivery of goods;



2. confirmation of payment – if the buyer/the customer has to make a payment, the seller will confirm the payment which have been accepted;
3. Check the availability of goods – in general, the seller already has product ready for sale. But in anticipation of the lack of supplies, should the seller check the availability of existing inventory;
4. Management of the delivery of goods – if available, the product is shipped to the buyer. In e-commerce transactions, products sold can in physical or digital form. If the products in physical form and the product is available, then will be packing and shipping. If the products in digital form, eg software (software), it is necessary to anticipate, if the software is already has a new version or currently under revision;
5. Returns – there is a possibility that goods delivered to customers is not in accordance with customer expectations. In this case the seller must be members of a guarantee, that if the goods are delivered to customers is not appropriate, then goods can be returned to the seller.

Advances in technology will help people in life, in do the work, and others. To conduct business in this case activities for Small and Medium Enterprises, the application of technology that will be used with the Internet in an E-marketing activity. E-marketing is the application of the technology also has advantages and limitations.

Advantages of e-marketing for the company are: (1) expand the marketing network both in national even international; (2) shorten or even eliminate marketing distribution channels; (3) assist small-scale enterprises to compete with large-scale enterprises.

The advantages of e-marketing for customers are: (1) provide an opportunity for customers to choose the desired product; (2) provide detailed information on the products quickly; (3) allow customers to interact in a community digitally and can exchange ideas.

The advantages of e-marketing for the community are: (1) make it possible for individuals to work at home, so as to reduce travel costs, reduce traffic congestion, reduce fuel consumption and reduce pollution; (2) gives the possibility to be able to buy goods at a cheaper price; (3) provides an opportunity for people in rural areas can also enjoy the products and services not previously enjoy.

Limitations of E-marketing from the technology include: (1) the absence of a standard standard of quality, safety and reliability; (2) the problem of bandwidth; (3) requires a Web server, especially to deal with network problems. While the limitations of the non-technology including: (1) absence of government regulations concerning commercial transactions through e-marketing; (2) the perception that e-marketing is unsafe and expensive; (3) many buyers and sellers are waiting for e-marketing until the situation becomes stable for them to participate.

### **CONCLUSION**

In the current era of globalization is often referred to as the digital age, the application Information technology has become a necessity for businesses, do not miss also for businesses in the Small and Medium Enterprises. Application of Information Technology needed is the development of web-based business application model for SMEs in order to increase competitive advantage.

Application of Information Technology in the form of E-marketing, can be a consideration for businesses. Because in e-marketing not just transaction inside, the company also can exchange information through the Internet.

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