Small and Medium Sized Enterprises (SMEs) Transformation in the Digital Market Era

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Abstract

The development of increasingly dynamic technology and information and ease of access, especially in buying and selling transactions, will support the creation of the digital market era. One of the conventional business actors in Indonesia is SMEs players. The determination of a global pandemic such as Covid-19 by the WHO in early 2020 in Indonesia had a negative effect on conventional business actors in shopping centers such as traditional markets, shops, and malls. The negative effect is in the form of a decrease in the number of buyers who visit and make buying and selling transactions at the shopping center. This is due to the emergence of the Indonesian government's policy of large-scale social restrictions, especially direct contact that was imposed during the pandemic to control the spread of Covid-19. To maintain sustainability, increase the development of SMEs players, and avoid these negative effects, changes in buying and selling transactions from the conventional market era to the digital market era need to be carried out. In this article, the discussion will focus on the right transformation of SMEs to be implemented in the current digital market era.
INTRODUCTION

The digital market era in general can be interpreted as an era where buying and selling transactions are carried out electronically through internet media or applications which are usually called e-commerce. The digital market is an effort to carry out marketing activities for a brand or product through the internet or the digital world. Goods sold in digital markets can usually be seen through advertisements on the internet, Facebook, YouTube, other social media, and even custom-made applications such as e-commerce. The existence of a digital market facilitates access in reaching rural communities and urban communities as consumers or potential consumers in a precise and efficient manner (Martkliana, 2021). SMEs is a small and medium business that is included in the grouping of business types which include industry and trade. SMEs is very varied and includes at least two aspects, namely the aspect of labor absorption and the aspect of business grouping in terms of the number of workers absorbed (Partomo et al, 2002).

According to Law no. 9 of 1995, a small business is a productive business that is small in scale and meets the criteria for a net worth of a maximum of Rp. 200,000,000.00 (two hundred million rupiah) excluding land and buildings where the business is located or having sales proceeds of a maximum of Rp. 1,000,000,000.00 (one billion rupiah) per year and can receive credit from a bank with a maximum of IDR 50,000,000.00 (fifty million rupiah) to IDR 500,000,000.00 (five hundred million rupiah). Papadopoulos et al (2020) revealed that SMEs as conventional business players in order to become business players in the digital market requires the role of digital technology to increase performance and productivity. This is supported by the Covid-19 pandemic where there are restrictions on large-scale social activities including direct contracts in buying and selling transactions which are usually carried out by SMEs as conventional business actors.

If SMEs as conventional business actors do not make breakthroughs or changes in the ease of buying and selling transactions, especially the convenience of not having to meet in person, the negative effect of the Covid-19 pandemic and advances in information technology will occur on the SMEs. The negative effect is in the form of a decrease in the number of buyers due to social restrictions which will affect the sustainability of the SMEs business. In addition, modern society prefers buying and selling transactions that are practical, easy to use, and do not need to meet in person. The SMEs transformation is very necessary to avoid the negative effects caused by the emergence of large-scale social restrictions and advances in information technology that make the majority of people prefer to use digital markets in meeting their needs. In addition to these reasons, the transformation of SMEs in the digital market era will be able to increase the reach of a wider consumer. Therefore, the transformation of SMEs is a good choice in business improvement and development to reach a wider market area, increase business production, and SMEs becomes more developed in line with the development of information technology.
THEORETICAL REVIEW

Baum in Purbo (2001) said that the digital market which is usually known as e-commerce is a dynamic set of technologies, applications, and business processes that connect a business and consumers where information is obtained both electronically. Fuady (2005) said that the digital market or e-commerce is a business process using electronic technology that connects entrepreneurs such as SMEs, consumers, and the public in the form of electronic transactions, buying and selling of goods, and information is also carried out electronically. According to Sukarmi (2008), a transaction can be said to be a digital market if it has components such as a trade contract, the contract is executed on electronic or digital media, physical presence or direct contact from the provider of goods or services with the consumer is not required, the contract is not required.

The sale and purchase agreement occurs publicly, the transaction operating system is carried out in an open manner which can be easily accessed using the global internet, and the contract is independent of national juridical boundaries where transactions can be carried out between countries as well. Laudon and Laudon (1998) say that the digital market is a process of buying and selling products electronically by consumers and from one business to another with the help of computers and the internet as intermediaries for business transactions. The digital market is a business exchange that is carried out regularly using electronic transaction media such as Electronic Data Interchange (EDI), e-mail, electronic bulletin boards, facsimile machines, and Electronic Fund Transfers relating to shopping transactions on internet shopping, online stock, sales of software, documents, graphics, music, and other electronic transactions. Baum (1999) defines the digital market as a dynamic set of technologies, applications, and business processes that connect businesses, consumers, and society through electronic transactions, exchange of goods and services, and information.

The things that make the digital market different from the conventional market include:

1. Digital markets are everywhere, which means that transactions can be made anywhere and anytime. The digital market makes it easy for people to shop from personal electronic devices at home, at work, and from the vehicle they are traveling in by accessing the digital market’s mobile application.

2. The reach of the digital market is very wide where digital market technology allows commercial transactions across cultural and national boundaries with greater convenience and more cost effective than using a conventional trading system. The potential market size for digital market entrepreneurs is roughly the same as the world’s online population.

3. Universal standards where the universal technical standards of the internet and digital markets have a major effect on lower market entry costs, namely the costs that must be incurred by universal standards to reduce search costs (i.e. the effort required to get goods that match consumer desires.

4. Rich in benefits where information on goods or services is obtained which refers to the complexity and content of a message.
5. Interactive is an interaction that allows an online seller to engage with customers in the same way as the activities of sellers and customers in conventional markets, but on a larger and global scale.

6. Information density is the total amount and quality of information available to all who have registered on the digital marketplace, both sellers and customers.

7. Personalization or customization where an entrepreneur can direct his marketing message to specific people by customizing his message according to the name, address, interests, and purchases that have been made by someone in the past. Meanwhile, customization occurs by changing the goods or services that are sold according to the user’s preferences or the behavior that the user has shown previously.

According to Kristiadi (2017) states that the digital market has several goals, namely facilitating communication between producers and consumers, facilitating the marketing and promotion of goods or services, expanding the reach of potential consumers with a broad market, simplifying the selling and buying process, facilitating payments because it can be done online and facilitate the dissemination of information.

According to Riadi (2013), the digital market has several benefits including:

1. For businesses or SMEs owners
   a. Expanding the market place to the national market and international market.
   b. Minimal capital outlay where business owners like SMES can easily find more customers, better suppliers, and the most suitable business partners from all over the world.
   c. Digital marketplaces lower the costs of creating, processing, distributing, storing, and searching for paper-based information.
   d. Digital markets reduce the time between the outplay of capital and receipt of products and services.

2. For Consumers
   a. Digital marketplaces allow customers to shop or make transactions 24 hours a day all year round and in almost any location they want.
   b. The digital marketplace gives customers a lot of choice and can choose a variety of products from many vendors
   c. Digital marketplaces provide customers with inexpensive products and services by visiting many places and making quick comparisons.
   d. Customers can receive relevant information in detail in seconds instead of days or weeks.

3. For Society
   a. Digital marketplaces allow people to work from home and not have to leave the house to shop. This results in a decrease in the flow of traffic density on the road and reduces air pollution.
b. The digital market allows a person in the world or rural countries to enjoy various products and services that would be difficult to obtain without a digital market.

According to Aziz (2016), the digital market models in Indonesia include:
1. Classified advertising is a form of digital market that is relatively simple and is considered an evolution of the classified ads that are usually found in newspapers into the online world. An example is olx.co.id which previously was Toko Bagus, Berniaga, FJB Kaskus
2. Retail is a type of digital market where all buying and selling activities are carried out through a system that has been implemented by the relevant retail site. The advantage is that security is guaranteed when buying and selling transactions are carried out. However, the drawback of retail is that the number of products available is not much because sales of a product only focus on one or two product categories. Examples are Berrybenka and Zalora
3. Marketplace is the provision of online mall services, but the sellers are not the website providers, but members who have registered to sell on the website or marketplace application in question.

According to Simmons, Armstrong, and Durkin (2008), SMEs are defined as businesses that have only a small market scope, a small workforce, and are managed by the business owners themselves. SMEs is a business that meets two of three criteria, namely employee strength, asset size, and annual sales (Das, 2017). Tulus (2009) defines SMEs as a productive micro-enterprise owned by an individual or individual business entity that has the criteria for a micro-enterprise as regulated in the law, where the business opened is a subsidiary or not a subsidiary that is owned, controlled and becomes a part either directly or indirectly. Indirectly from medium or large businesses. According to Rudjito (2003), SMEs are businesses that have an important role in the Indonesian economy, both in terms of the jobs created and the number of businesses. Primiana (2009) said that SMEs can be interpreted as the development of a mainstay area to accelerate the process of economic recovery to accommodate priority programs and the development of various sectors and potentials as well as increasing various community empowerment efforts.

Antoniades (1990) argues that transformation is a process of gradual change so that it reaches the final stage where changes are made by responding to the influence of external and internal elements that will direct changes from previously known forms through a process of repeated doubling. Habraken (1976) describes that one of the things that affect the transformation is the influence of technological developments so that the tendency of people in buying and selling transactions also changes along with these changes. The transformation process also has certain stages such as changes that occur slowly or little by little, it is unpredictable when it starts and when the process will end depending on the factors that influence it, and is comprehensive and continuous. Transformation refers to the reality of the change process.
METHODOLOGY

This study uses a phenomenon approach, trying to understand the importance of understanding and applying marketing strategies for household MSME products on social media networks. This approach to phenomena requires the existence of an assumption that is different from the way used to approach people's behavior with the aim of determining facts or causes. Data were collected and recorded in detail on matters relating to the problem under study. Each finding is analyzed with the wisdom of knowledge and experience to interpret it objectively. In this study, the theory is used as a measure of knowledge that is adapted to the facts in the field and the social phenomena to be studied. The theoretical basis is used as a strategy in processing data, by providing a variety of conceptualizations in describing and providing explanations.

RESULTS AND DISCUSSIONS

Conventional business people such as SMEs can see that a pandemic like Covid-19 causes a crisis with large-scale social restrictions. This large-scale social restriction makes direct buying and selling transactions widely reduced and has an impact on the decline in the number of consumers and potential consumers as well as the losses caused to these SMEs. In fact, SMEs has an important role in strengthening the Indonesian economy and SMEs also plays a role as job opening. Based on experience during the economic crisis in Indonesia, SMEs has become one of the fundamental pillars and support for the Indonesian economy (Arianto, 2020). In order for the existence of SMEs to continue and increase in terms of productivity, SMEs needs to make a transformation to keep pace with the development of technology and information in the current digital market era.

The transformation of SMEs in question is changing the pattern of conventional SMEs buying and selling transactions into buying and selling transactions that exist in the digital market or what is known as e-commerce. The SMEs transformation is also supported by the existence of a digital SMEs program carried out by the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop UKM) by inviting young innovators to support the SMEs digitization program. This program aims to ensure that SMEs can survive and increase sales with the support of the digital market. According to Verhoef et al (2019), digital transformation of SMEs can be carried out using 3 phases, namely digitization, digitalization, and digital transformation. Digitization is a conversion process from analog to digital. Digitazation refers to optimizing internal processes such as work automation and paper minimization with the aim of reducing costs. In digitazation, written documents such as advertising paper, banners, banners, and others become electronic documents such as .jpg, .doc, .pdf, .png, .gif and others (Kevin, 2021).

Advertising papers such as brochures, banners, banners which are usually placed in front of the SMEs business premises to attract consumers' interest in the past have changed along with the development of technology into advertisements in the form of images, moving images, and videos in digital media or digital market applications whose use can be more longer than using conventional media. Digitalization is the use of digital technology to change a
SME business model and provide new opportunities for SMEs to increase their income which is more promising. Digitalization is a process of moving to the digital market and is used to change the interaction between SME business actors and consumers or potential customers and can create new income streams. Digital transformation is a change in the concept of SMEs buying and selling transactions in an organizational manner to become more consumer-centered and prospective customers supported by leadership, changes in SMEs culture, and the use of technology in empowering its workers. Digital transformation refers to the wider adoption of digital technology and the cultural change within it. These changes are more emphasized on human resources than digital technology (Kevin, 2021).

Based on the program provided by the Kemenkop UKM, the SMEs transformation strategy towards the digital market era is carried out through four steps including:

1. Improving human resources by preparing SMEs actors so that their capacity and skills increase because the quality of human resources is an important thing in developing SMES in the digital market era. This ability and skill improvement needs to be done due to the large number of SMEs actors who claim to encounter obstacles in the use of digital technology and social media due to lack of knowledge (Purwana et al, 2017). In the era of the digital market, SMEs players must also have a lot of knowledge in utilizing the existing market place in the digital market and are required to be able to use applications or social media in studying public opinion on products that are favored by potential consumers today so that SMEs players can be motivated to create new innovation.

2. Improvement of business processes for SMEs players regarding knowledge about the importance of financial literacy for SMEs players. Good financial literacy owned by SMEs actors will make the SMEs run to be able to manage their finances systematically, especially related to debt and receivable issues. Most SMEs actors in Indonesia have not implemented records in accordance with the Financial Accounting Standards for Entities Without Public Accountability (SAK ETAP) because there are obstacles in its implementation. This obstacle is caused by the lack of quality of SMEs financial reports (Mubiroh and Sari, 2020).

3. Expanding SMEs market access by encouraging synergy between the Kemenkop UKM and LKPP so that SMEs players can become vendors for the procurement of goods and services for the government.

4. Support the transformation of digital buying and selling transactions for SMEs players so that they can compete in the domestic or international digital market.

During pandemics such as Covid-19, Arianto (2020) said that a stimulus was created to encourage digital platforms to expand partnerships, collaboration in terms of innovation, and digital technology that supports improving product quality and competitiveness, product processing and marketing of SMEs. An example of the application of cooperation and partnership is that corporations...
and universities can collaborate with SMEs so that the millennial generation can be involved in digital entrepreneurship. Thus, young innovators will be born and create various forms of start-up companies based on any problems that have been experienced by SMEs so far. In the end, SMEs will be able to build synergies that can make the transformation of SMEs in the digital market era faster. This is what will strengthen the institutionalization of the digital economy in Indonesia.

In addition to support for the transformation of SMEs in terms of internal organization, collaboration and partnerships, the transformation of SMEs in the Indonesian and international digital markets must also pay attention to many other things, especially creative content. Arianto (2020) argues that content is the main pillar in order to compete in the digital market. Digital-based SMEs is difficult to produce significant results without creative content being presented. Digital SMEs must be able to understand the characteristics of the digital market, especially through social media. This is done so that the products and services offered by SMEs can attract the attention of consumers and potential consumers. In terms of digital marketing, Arianto (2020) revealed that there are still many products and services offered by SMEs players in Indonesia that are finished products.

This will result in these products and services having no attractiveness value that can make consumers and potential consumers buy them. To cover this shortcoming, the assistance of competent parties such as the Coordinating Ministry for SMEs to provide training assistance in product and service packaging, which is commonly referred to as packaging and branding. Marketing through applications or marketplaces with existing collaborations would be more advisable. If SMEs actors have limited costs in marketing products and services. The transformation of SMEs in terms of marketing in the digital market can take advantage of the advantages of social media such as the use of the E-UMKM application as a marketing application for SMEs products and is a prospective step to improve the Indonesian economy (Amelia et al, 2017).

SMEs actors must learn photography, videography, and interesting sentence-building techniques on social media where:
1. A photography technique where SMEs actors are able to make photos of their products and services look attractive and have high resolution. The quality of the appearance of products and services that are good and attractive when posted on applications or social media makes consumers and potential consumers interested in making purchases.
2. Videography technique where SMEs actors must be able to create video-based content. Good and creative product and service video content will have a higher display value. This will increase the percentage of consumers and potential customers to buy the products and services that have been offered.
3. Techniques for compiling sentences that are as attractive as possible to attract the attention and interest of consumers, such as buy 1 get 1 free, discounts, or there is an opportunity for raffle prizes and other offers.

These three techniques will be very useful for SME players in their transformation to the digital market, especially in the development of good logo
branding and packaging. That way, SMEs is expected to increase sales both through digital markets apart from direct sales and can help SMES partners to increase competitiveness (Intan et al, 2019). Another thing that needs to be considered in the transformation of SMEs in the digital market era is the synergy between SMEs and the internet community, especially social media. Internet communities known as warganet are users of various social media platforms who actively interact with each other digitally in cyberspace and will determine the success of a product and service to attract public attention. Warganet is also distinguished based on the level of activity that has roles such as buzzer, influencer, and follower.

In social media, a buzzer is more defined as an account that acts to disseminate, campaign, and broadcast messages or digital content to other netizens with the aim of influencing and attracting attention to make a purchase. Influencer is a social media account that has a very strong influence on its followers which will encourage and influence the interest of followers to act according to what the influencer wants. Meanwhile, followers are accounts that follow the behavior of buzzer and influencer accounts. These three classifications of netizens also need to be understood by SMEs actors in their transformation process, especially in the field of digital marketing through social media (Arianto, 2020). This shows that SMEs actors must be able to synergize with citizens to display creative content. Creative content through social media will attract the attention of netizens to disseminate the products and services being sold.

In addition, the synergy between SMEs actors and citizens can be done by using reseller techniques. This technique will make the millennial generation as citizens a good marketing channel because the millennial generation’s network of friends is quite extensive. This technique must also involve market places such as Shopee, Lazada, Tokopedia, and others to open up digital marketing for SMEs to be more widely known. To prove the quality of the products and services marketed by SMEs players in the digital market, giving testimonials to SMEs products is the most important thing because these testimonials will be spread on social media and seen by many other netizens. If the response to this testimonial is good, then this testimony can be a free promotion tool for SMEs players in the digital market. Therefore, good synergy between SMEs actors and citizens is also needed so that SMEs players can offer their products and services quickly and get a fast positive response from the digital market through social media and market places. This will support the realization of a good SME transformation in the current digital market era.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

In order for the existence of SMEs to continue and increase in terms of productivity, SMEs needs to make a transformation to keep pace with the development of technology and information in the current digital market era including:

a. The transformation of SMEs in the digital market era refers to the wider adoption of digital technology and cultural changes in it, such as knowledge
in the use of market places in the digital market and being required to be able to use applications or social media in studying public opinion on products favored by potential consumers, the systematic quality of SMEs financial reports needs to be improved according to SAK ETAP standards, expand partnerships, collaboration in terms of innovation, and digital technology that supports improving product quality and competitiveness, product processing and marketing of SMEs.

b. The transformation of SMEs in the Indonesian and international digital markets must also pay attention to many other things, especially creative content known as product branding and to understand the characteristics of the digital market, especially through social media. SMEs actors must learn photography techniques, videography, and compose interesting sentences on social media to attract consumers and potential consumers to buy SMEs products and services.

c. The transformation of SMEs in the digital market era must also pay attention to the synergy between SMEs and the internet community, especially social media called warganet. If netizens are interested in or have a positive attitude towards the products and services offered by SMEs then Warganet can act as a profitable disseminator of information and increase SMEs sales. In addition, increasing sales of SMEs products and services can use reseller techniques where the millennial generation as citizens can be a good marketing channel because the millennial generation's friendship network is quite extensive and must involve market places such as Shopee, Lazada, Tokopedia, and others to open SMEs marketing in a holistic manner. Digital is becoming more and more popular.

**Recommendations**

a. In actualizing the transformation of SMEs in the digital market era, support from the government is widely needed, such as the digital SMEs program organized by the Coordinating Ministry for SMEs by inviting young innovators to be involved. This aims to minimize errors in the marketing of products and services and to increase sales of SMEs players in digital markets both nationally and internationally where SMEs players in Indonesia are one of the pillars of the Indonesian economy.

b. Boundaries between countries that are no longer a barrier in the marketing of products and services for SME players will benefit the expansion of Indonesia's digital market. Therefore, it is hoped that the Indonesian government can build a market place system with a payment system that makes it easier for international consumers to be able to buy SMEs products and services domestically.

**FURTHER STUDY**

Small and medium enterprises must always be encouraged and facilitated to progress and develop because small and medium enterprises have proven to be able to help the Indonesian economy during the Covid-19 pandemic. The need for further study of strategies in developing and empowering small and medium enterprises during the Covid-19 period and after the Covid-19 period. Changes
and disruptions in all fields as a result of Covid-19 and its impacts need further research.

ACKNOWLEDGMENT

Thank you to everyone involved in writing this article. This article is free from personal, commercial, political and financial conflicts of interest.

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