

SMALL AND MEDIUM ENTERPRISES (SMES) FACE DIGITAL MARKETING**Aries Kurniawan^{1,*}, Moh Asharudin²**¹Business and Economic Faculty, Universitas Muhammadiyah Gresik, Gresik, Indonesia²Business and Economic Faculty, Universitas Muhammadiyah Gresik, Gresik, Indonesia**Abstract**

The patterns of marketing in business have changed rapidly. While in the past, marketing was done solely through direct face-to-face transaction, the current existence of the internet leads to alternative options for commercial activities, including by using a Smartphone or gadget, customers can have transactions via various applications. These applications also offer a variety of products, including apparels, food, household needs as well as tertiary needs. To keep with the pace, business actors also change their marketing patterns. In addition to advertise and sell the products through conventional method, the internet becomes the marketing media for business actors. Nevertheless, not all of them are able to change their marketing pattern, especially SMEs. The factors of low educational background and lack of knowledge of the internet, development, and technology are the reasons. Considering this condition, it is suggested for business actors to change their marketing pattern according to the developments and technological advances in the community in order to survive.

Introduction

Small and Medium Enterprises (SMEs) are the motor for the economic growth. The capacity of SMEs as the backbone of the nation's economy is proven when the country was hit by the economic crisis.

In 1998, Indonesia experienced an economic crisis that resulted in a stagnation of large-scale business activities, many of which even collapsed or went bankrupt amid the storms of amid the financial crisis. Surprisingly, such a crisis was not experienced by the majority of SMEs since they did not bear the burden of high debt when the crisis occurred. At the same time, large businesses had to bear the burden of high debt in which some of them were in dollars. It was exacerbated by the value of dollar, which rose during the crisis.

In addition, SMEs are also able to contribute to economic growth by providing employment opportunities. In fact, the capacity of SMEs generating employment is similar to those of large firms. If one SME is able to absorb workforce of at least 10 (ten) people while there are 1,000

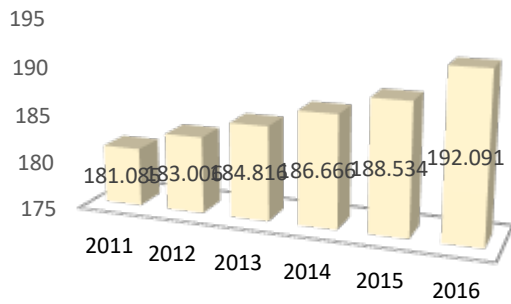
units of SME, then they can absorb approximately 10,000 (ten thousand) employees.

Nevertheless, despite SMEs have been proven to act as the backbone of the nation's economy, they do not necessarily solve all the barriers while running their businesses. Therefore, there is a requirement for the government, large firms, non-government organizations (NGOs) and the academics to collaborate in a joint taskforce for addressing the problems faced by SMEs in Indonesia.

SMEs in Gresik Regency, East Java, Indonesia have the same performance with other SMEs in Indonesia, in which they experience growth from year to year. Thus, it is expected to provide a positive impetus for economic growth in Gresik.

In 2016, the number of SMEs in Gresik Regency reached 192,021 units. This number increased from previous year in which 188,354 units were recorded in 2015. The data of the number of SMEs are presented in Table 1:

Table 1. The Number of SMEs in Gresik Regency 2011-2016

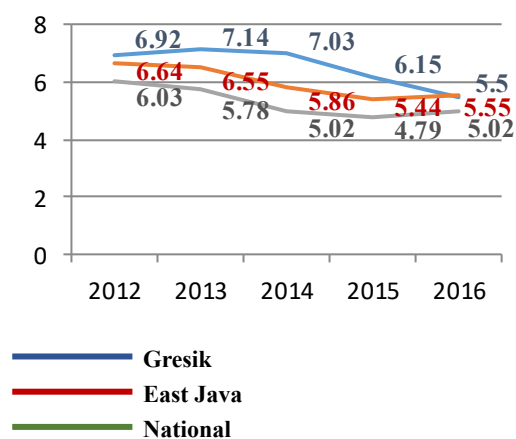


Source: DISKOPERINDAG Gresik Regency

The number of SMEs will certainly increase the number of production as well as give positive effect to the economic growth. The evidence is recorded in the table of economic growth issued by the Central Bureau of Statistics (*Badan Pusat Statistik*, BPS). Based on the data, in 2012 to 2015, the economic growth of Gresik Regency experienced growth which higher than the provincial's and even the national economic growth.

Furthermore, in 2016, the economic growth of Gresik Regency was higher than the national economic growth but slightly lower than the provincial economic growth. The economic growth of Gresik Regency 5.5 percent, East Java was 5.55 percent, and the national level was only 5.02 percent.

Table 2. Relative Position of the Economic Growth



Source: The Central Bureau of Statistics (BPS) of Gresik Regency

The growth of SMEs in Gresik Regency is not surprising. In fact, before the establishment of the State-Owned Enterprises (*Badan Usaha*

Milik Negara, BUMN) as well as PT Petrokimia Gresik and PT Semen Gresik in this regency, the local communities initially have a disposition to run independent business particularly in the form of home industry.

In the early 1970s, when PT Petrokimia Gresik was established, the local communities preferred to create and work in home industries instead of working in companies that produce fertilizer. It shows the potential and interest of the local communities on entrepreneurship is very high. As evidence, the products of Gresik home industries, i.e., sarong, songkok and bags, have ever dominated the markets in East Java even in Indonesia, especially sarong and songkok.

However, the good potential of SMEs in Gresik Regency does not necessarily omit the problems frequently encountered by SMEs in general. The common obstacles are related to the capital and business development, the quality and quantity of human resources, the quality of products, and the mastery of renewable technologies.

Methodology

1. Selection of Research Types

The selected approach to be used in this study is a qualitative approach with consideration this research is based on facts and it does not aim to test any hypothesis.

Bogdan and Taylor define a qualitative method as a research procedure that produces descriptive data in the form of people's own written or spoken words and observable behavior (as cited in Moleong, 2007). Qualitative approach is emphasized more to study the meaning of a phenomenon and directed to the background of the individual holistic perspective.

The method used in the qualitative approach is a case study method, which is expected to be more suitable in answering the research questions of how and what, and in the case the researchers only have small chance of controlling the phenomenon to be investigated while the focus of the research is a phenomenon in real life.

Qualitative approach uses observation and communication or interaction in the form of in-depth interview. The findings of research using qualitative approach are unique and the conclusions can be transferred to certain systems which characteristics are partially or completely the same.

The use of this approach is also based on the objective of this study, which is to ensure that as subsequent researchers precisely follow the procedure as described in this study and restore the same case study, they will arrive at the same findings and conclusions.

In the process of answering the research questions of “how and why,” most studies basically employ the method of case study, historical study and experimental study.

Gunawan (2016) states the collective case study is case study that investigates more than one issue or case in one study. In such a study, it can focus on merely one issue or topic but utilize many cases to explain it.

Baxter and Jack (2008) argue that in a multi-case study, researchers are able to examine several cases to understand the similarities and dissimilarities between the examined cases. Similarly, Yin (2003) asserts that the descriptive multi-case study is used to predict either similar results (literal replication) or counter-results but for predictable reasons (theoretical replication).

In the context of this study, a multi-case study was used since it enables the researchers to find out different barriers faced by SMEs in running their businesses.

2. Objects and Research Subjects

The subject is the intended subject to be studied by the researcher. The object of the research is the object as the point of attention of the study. In this study, the subject of the research is the SMEs while the object is the SMEs that face barriers in running their businesses.

3. Types and Data Sources

The type of data used in this study is qualitative data. Qualitative data is the data in the form of explanation and description of the results of in-depth interviews with resource persons. The topics of the interview were the problems encountered by the SME actors in running their businesses, the causes of those problems and the ways or strategies to overcome those problems.

The data used in this study were obtained from primary data and secondary data sources. Primary data was obtained directly by SME actors through in-depth interviews and direct observation in order to obtain the information for supporting this research. Secondary data were obtained

indirectly through available sources and additional data.

4. Data Collection

The steps in collecting the data are as follows:

1. Preliminary Survey
The researcher visits SMEs to explain the purpose and objectives of conducting the research and to obtain information about the business situation.
2. Field Study
In this stage, the relevant data related to the research problem are collected. Data collection was done by in-depth interview.

In-depth interview is the process of obtaining information directly from the resource persons, in this context SME actors, through questions and answers.

5. Data Analysis

In the stage of data analysis, the results of the in-depth interview and field study are prepared in the form of detailed reports. It is summarized and the main and important points are sorted to obtain specific theme or pattern. In this study, the data will be analyzed through data reduction, data display, and conclusion drawing or verification (Miles & Huberman, 1992). The steps of data analysis are shown in the scheme below:

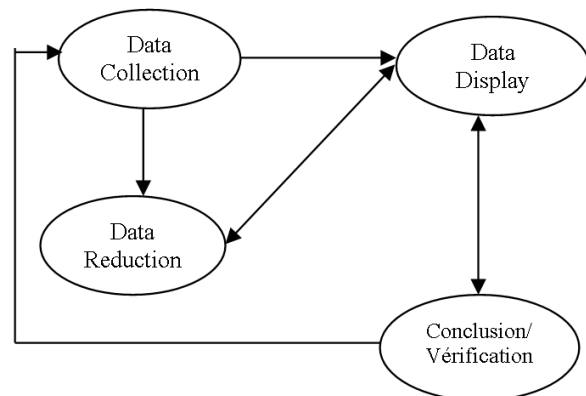


Figure 3. Miles and Huberman’s data analysis component scheme

Miles and Huberman (1992) argue that data reduction is a form of analysis that sharpens, classifies, directs, and organizes data as well as discards unnecessary data, including selecting and summarizing relevant documents. The conclusions

of the data presentation are thematically designed to present and integrated information to the readers. The conclusion is also a part of the intact configuration. It is also verified during the study. The obtained data are then categorized while the pattern is determined, then conclusions are drawn. Data analysis is done continuously until the required data is collected.

6. Quality Research Design

A research design is estimated to present a series of logical statements and further used to determine the quality of the design according to a particular logic test. In this study, the relevant tests include:

1. Credibility

To find out the credibility of this research, triangulation technique is one of the techniques. The researcher conducts examination to other sources of data hence the final data are obtained by comparing the results of observation with the results of in-depth interview, comparing the results of in-depth interview with the contents of related document, and comparing the situation and individual perspective with various opinions to verify the credibility of the data collected in previous step, and the reasons for the differences if there are any differences.

2. Transferability

This test is concerned with the issue of whether the findings of a study can be generalized for other similar cases.

3. Dependability

The general purpose of dependability is to minimize errors and biases (deviations) in a study. In order to achieve dependability, thorough examination of all components, research processes, and research results is required.

4. Confirmability

This technique is done by explaining the reasons for the reference of the research design and the limitations of research.

Results and Discussion

The objects of the present study are SMEs located in some areas in Gresik Regency, East Java, Indonesia. The selected SMEs were those which had been run for a long period of time, e.g., SME Bakso Ceria. Established in 1981, this business is a family business. Moreover, it was originally a

traveling street vendor but currently, Bakso Ceria has a restaurant and one employee.

Another culinary business is the processed bandeng fish. Bandeng is a typical fish processed and produced in Gresik. The variety of bandeng processing is numerous, including bandeng shrimp, *otak-otak* bandeng, and bandeng presto. In this study, SME which became the object was SME Bantari with the products of boneless processed bandeng. The business was established in 2015 in Betojo and has been very popular among the public, enhancing its promising prospects.

Still in the culinary business, the establishment of Hana Snack business was commenced by the intention of Mrs. Siti Handayani to get additional income for her family. In addition, she wants to fill her leisure time on the sidelines of her duty as a housewife with one child. Her husband, who works as a private employee outside the city, only returns home in weekend, hence she has plenty of free time. The reason for choosing this business is because her mother in-law has this kind of business hence she started her own Hana Snack. Since its establishment in mid-2015 until now, this business has employed an assistant. The employee is the niece of Mrs. Siti Handayani. Since its establishment, Hana Snack has experienced several rise and fall. The problems encountered by this business include the difficulty of starting a business and finding customers, financial problems and the selection of the place of business.

In this study, one SME in the field of timber trade was also involved. This SME started the business in 2000. The business manager, Askan, claimed that the initial capital of the business was five million rupiah. This SME is located on Jl. Mayjend Sungkono, Gresik. The main challenge faced by this SME is to promote the use of aluminum or galvalume materials instead of woods.

An SME engaged in services sector was also involved. The business is the delivery service of Bawean-Gresik-Bawean that was established in 2016. This business is called Riwa-Riwi, and has been recognized among the public.

Another business involved in this study was the rattan-based industry. The business is called Rotan Jaya and was established in 2008. It integrates the skills of rattan handcrafting and textile business. The rattan is obtained from Palu, Sulawesi, where there are abundant rattan resources. In three years, the business has been

developed rapidly, which initially there were only three employees and currently there are ten employees. Six of them are Javanese while the rest come from Palu, Sulawesi.

The implementation of this research required 6 (six) months, starting from January to July 2018. This research was processed based on the in-depth interview with the resources persons, i.e., the managers of the Small and Medium Enterprises (SMEs). They included Cahyo Novianto as the coffee shop owner, Hasan Fuad as the owner of Sahabat Kerupuk, H. Abdoel Malik as the owner of tambourine industry, Ridlwan, Askan as the former timber businessman, and Siti Handayani as the owner of Hana Snack.

The data obtained for conducting the research were the primary data. They were obtained through observation and in-depth interviews. Observation was carried out as passive participation observation where researchers conducted observations by examining the managers of the involved SMEs, while not involved directly in the activities undertaken by the business actors. It was done to know the working circumstance of the business. Furthermore, in-depth interviews were done using a general guideline approach in which the researcher drafted the outline of the questions to be questioned during in-depth interview.

1. SME Obstacles

In fact, the obstacles faced by the SME actors are diverse in accordance with their respective fields hence they also have different perspective about the obstacle. According to the owner of Sahabat Kerupuk, the obstacle is a constraint that hinders the business activities. He also interpreted it as a problem that must be solved and get the solution. Meanwhile, according to the owner of Hana Snack, obstacle is a problem that impedes a business to develop.

According to the owner of Bantari boneless processed bandeng, obstacle is things that prevent the business owner to achieve the expectation. Meanwhile, according to the owner of Citra Media Photocopy and Stationary, obstacle is a task that is not executed by an entrepreneur or also interpreted as a situation that can disrupt the implementation of the business.

In the field of transportation services, SME Riwa Riwi explained the amount of operational costs, especially transportation costs in delivering goods, as the obstacle of the business.

According to the owner of SME coffee shop, obstacle can lead to trouble in the coffee shop business. It is also a problem that must be resolved by all entrepreneurs. Moreover, SMEs must be able to face any obstacles or limitations so that they can expand their business.

According to the manager of SME *Rebana* or tambourine, H. Abdoel Malik, the obstacle of his business is the difficulty of obtaining raw materials and restricted marketing range. In addition, the financial statement of the SME has not been done properly hence the expenditure is still mixed with other needs so that the profits gained by the SME have not shown the actual profit. In addition, there is an issue of the lack of human resources in working on the product. So, it can be concluded that obstacles are problems that are quite difficult to overcome in a short time due to the limitations in the SME.

2. The Causes of SMEs Obstacles

The causes of obstacles faced by SMEs are diverse. For Bakso Ceria, the main obstacle is related to the bookkeeping system that has not been done properly thus it is mixed with personal money. Meanwhile, Bantari boneless processed industry has to face the human resources (HR) issues. Most of the current employees have no adequate ability to display the culinary dish in interesting manners. This problem is perceived as the main obstacle for Bantari management.

Unlike the statements of Siti Handayani as the founder and manager of Hana Snack, the entrepreneur revealed that the causes of business obstacles are related to the financial issue and location of the business. The financial related obstacles faced by Hana Snack entails the delayed consumer payments and financial records that have not been done properly because the owner still mixes the business money and personal money. As for the problem of location, Hana Snack has not owned a representative place for the business because it is still using the living room as the place of business.

Furthermore, the former timber manager, Askan, said the main constraint for timber business is the difficulty in finding raw materials. Moreover, the change in consumer behavior from using wood-based materials into other materials, i.e., galvalume, needs a time.

Other SME actors, including the owners of Sahabat Kerupuk, Rina Citra Media, and

Rahmatanpharmaceutical industry have a propensity to experience similar obstacles in terms of financial bookkeeping and reporting system, as well as in terms of human resources and marketing methods. Nevertheless, those obstacles are different from the obstacle faced by Riwa-Riwi delivery service in which it has difficulty when receiving delivery of goods outside Surabaya City and Gresik Regency.

3. How to Overcome Obstacles

Various ways have been done by SMEs to solve their problems. In overcoming the limitations of funds, SMEs have accepted the People's Business Credit (KUR) program provided by the Banks. KUR is a special credit intended for the actors of SMEs with a certain, limited value.

Based on the results of this study, SME actors have conducted several activities to improve the quality and accuracy of financial reporting. It is an effort carried out by SME actors to prepare and present financial statements appropriately.

Building a business network can help SMEs overcome the limitations of SMEs. Particularly in the field of delivery service, SME actor attempts to find similar SMEs to join with when sending goods to the same destination. It is expected to reduce the cost.

Meanwhile, Bantari SME manager has attempted to overcome the obstacle by create interesting packing so that the consumers will be more attracted to the products.

Similarly, the manager of Citra Medika Photocopy and Stationary creates innovation in coping with the obstacle. The manager initiates to provide additional goods, i.e., drinks, and a comfortable waiting room equipped with a mini library. The goal of the facilities is that the customers will not be bored while waiting for the service. In addition to serving customers with the facilities, SME manager attempts to improve the product quality. To overcome human resource constraints, employee training is conducted and additional employees are hired during peak season.

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