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# CHASING LEFT BEHIND OF THE MICRO, SMALL AND MEDIUM SIZE ENTREPRIZES USING TECHNOLOGY IN THE SITUBONDO CITY

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**Abstract:** Situbondo regency is one of the areas in East Java Province. Situbondo is also one of the centers of Small and Medium size Entreprizes (SMEs) producer of handicraft products. The High competition makes the SMEs business is required to always make innovations and the need for special strategies that can create competitive power. The research was conducted at SMEs handicraft producer in Situbondo Regency, East Java. The purpose of this research is to describe strategic steps to create business partnership. Strategy to chasing left behind of SMEs in Situbondo Regency can be done by utilizing three things: Technology of production requires effort to always give priority to the effectiveness and efficiency of production and prioritizing innovation, because it is the most important aspect that must be done, the higher innovation of product offered then will be easy to attract consumer interest and enhance business competitiveness. Tekhnology of marketing pushing SMEs to always use the e-commerce media in promoting and transacting, and tekhnology of Banking to support and facilitate the exchange of money exchange with the programs implemented by banks.

**Keyword:** e-commerce, SMEs, Strategy, Inovation

## I. INTRODUCTION

### (a) Background

Situbondo regency is one of the areas in East Java Province. Situbondo is also one of the centers of Small and Medium size Entreprizes (SMEs) producing handicraft products (handicraft), which is currently also a contributor to the National GDP and recorded as many as 13,107 SMEs until 2017 (Situbondo Department of Industry and Commerce 2017). These products include merchandise, souvenirs, furniture, webbing and surfing. Business opportunities are very good prospects in the future, seen from the many market demand on this product. Electronic commerce data (e-commerce) is currently making hand racial products are in the third position of the most popular community. The high competition makes the SMEs business people are required to always make innovations, both in terms of design, quality, price and promotion.

The high demand for handicraft products in online business not only change the marketing pattern that was previously done directly (offline) to be internet based (online). This electronic commerce provides easy access for consumers and consumers to meet demand and demand of products, both in terms of ease of accessing a product and its security. The growth of e-commerce in Indonesia is currently at 100-200% per annum (<http://industri.bisnis.com>). This growth will certainly impact on the development of shipping service business, the high demand for delivery services will create a similar business competition to give each other the maximum service. As well as the growth of JNE shipping service, JNT and Pos Indonesia reach 10-30% annually.

The high business opportunities are inversely proportional to the existing conditions in Situbondo. SMEs crafts faced many problems, one of them is the

acceptance of technology, both in terms of production and marketing. The centralization of handicraft product sales market resulted in high competition among SMEs. The market that is still dependent on the market of collectors like in Bali Province has resulted in bargain prices of these products being very cheap. It will certainly have a direct impact on production costs that must be issued. As a result some actors of SMEs in Situbondo can not develop and even take various steps to create a cheap product, one of them with business competition that is not as well as illegal logging is happening up to now. In addition, labor costs that continue to be pressed to be cheaper, will also have a broad impact on the economy of the surrounding community, in this case in terms of consumption. Low revenues will also lower the level of public consumption and the economic growth in the Region will experience a slowdown.

The lack of creativity becomes the main problem, especially in terms of production process, and marketing. The government can not easily provide policy measures without any interest and self-participation by surrounding communities to change and mingle with the technology. The lack of capability will also have direct impact on the future business prospects that are difficult to face the competition. As a result the lack of confidence in banks and investors to be able to provide investment to the perpetrators of SMEs.

### (b) Research problem

How to develop strategic steps to create SMEs in Situbondo Regency that productive, innovative and technology-based

### (c) Research purposes

The purpose of this study is to determine the strategic steps in creating a business market share capable of catching up with business and competing globally

## II. LITERATURE REVIEW

### (a) Empirical Studies

Several empirical studies indicate that one of the keys to the success of micro, small and medium enterprises is

the availability of a clear market for MSME products, therefore SMEs actors are expected to expand market access by utilizing information technology facilities that can be used as a medium of business communication globally Sholihin, 2016). Besides, research by Diyan Ivanov (2012) mentions that the main advantages of SMEs that use e-commerce media is to improve internal efficiency and improve the network of information exchange goods widely. Research by Ann L. (2000) found that e-commerce has a significant influence on various levels of the business strategy area.

### (b) Ecommerce

Views by McLeod Pearson (2008: 59), e-commerce is the use of the Internet and computers with Web browsers to buy and sell products. According to E. Turban, David K, J. Lee, T. Liang, D. Turban (2012: 42-43), e-commerce can be done by various parties, a common type of e-commerce transactions described below.

1. *bussines-to-bussines* (B2B)
2. *collaborative—c-commerce*
3. *bussines-to-consumer* (B2C)
4. *consumer-to-consumer* (C2C)
5. *consumer-to-bussines* (C2B)
6. *intraorganisasional*
7. *government-to-citizen* (G2C)
8. *mobile commerce-commerce*

### (c) Potential Government Support Against E-Commerce

The potential must be utilized properly, the Government also targets to create a thousand technopreneurs with a business valuation of US \$ 10 billion and by 2020 is predicted to reach US \$ 130 billion. Policy Package 14 is issued by the government for the development of national e-commerce as a reference for stakeholders and the existence of various regulations that do not encourage the growth of e-Commerce. Eight Aspects that exist in this policy package include:

1. Funding, in this aspect the government will facilitate and expand access of funds through various schemes.

2. Taxation ie Tax deduction
3. Consumer Protection
4. Education and human resources
5. Logistics is improving e-commerce logistics through the **National Logistics System (SISLOGNAS)** to improve delivery speed and reduce shipping costs.
6. Communication Infrastructure, which is to accelerate the development of high-speed broadband network, so that e-commerce can be utilized throughout Indonesia.
7. Security of cyber security cyber, by way of arranging the model of national supervisory system in e-commerce transaction and increasing public awareness
8. Establishment of Implementing Management, ie systematic and coordinated efforts by the government to implement e-commerce Road Map and simultaneously monitor and evaluate the implementation of e-commerce Road Map

### III. DISCUSSION

Technology is a scientific method to achieve a practical goal. Technology is very advantageous especially in the field of business if utilized to the fullest. Most of the business actors in Situbondo district have not been able to use the machine technology, seen from some SMEs still use the production process manually or pure handmade. Success strategy in creating a broad market share of SMEs business should be done by approaching three strategies, including:

#### (a) Tekhnology of Production

Production technology plays an important role in creating a product (quality, quantity, shape) and the selling price. The use of machine functions in accordance with its usefulness is able to accelerate production, reduce the level of product damage, produce more quality products, effectiveness and cost efficiency will be better.

SMEs craft will not be separated from the four required resources such as capital, human resources, natural resources and technology. The role of HR is the most important thing, as a support to put the

technological functions on the parts needed in the business. Craft business is very dominant with timber resources, in Situbondo Regency is a very abundant timber resources especially in mountainous areas ranging from Teak, Gmelina, Sengon, Pinus, Trembesi and others.

One log is generally only processed to become one or two product types, functional utilization rather than wood parts has not been mastered maximally and consequently a lot of waste is wasted, whereas the utilization of all parts of wood is very possible to become economic value. As illustrated Picture 1 follows:

Viewed based on the image. One piece of wood with an intact part of the root to the smallest twig, can be made into various products such as merchandise, souvenirs, furniture, webbing and surfing, wall hangings. SMEs managers must be able to understand what products can be made from all parts of the wood so that no waste is left. The main obstacles faced in creating some kind of product is the need for creativity, creativity can be built by looking at references to products that exist in the market or in the online media and modify it into a new product competitive. Uniqueness can be created by making the product look different from competitors. If SMEs are only able to produce a product of one type then it will not be able to compete with some other SMEs, especially in the online market. The more product choices offered by the producers, the consumer can choose according to the type of product needed, in this case Innovation becomes an important part, the existence of technology is expected to facilitate the production process and the creation of new products.

Machine technology is the most important part, as shown in Figure 1. The type of machine that must be owned by SMEs perpetrators must be several types and able to be applied throughout the production process in order to support the effectiveness and efficiency. Some SMEs modify the machine used to be multifunctional. Like a grend machine that can be used for the process of cutting, smoothing, and finishing. Effective and efficient production must be dilakuka with mass product approach, namely the production process continuously or with a lot of quantity. If production is done with a lot of quantity then the cost of production and cost of raw materials can be cheaper. Some SMEs producers of handicrafts



Picture 1: Part Function of wood

Source: Researcher Development

should be made in accordance with the demand with a number of tend to be few. It can actually divide production into several different processes, as well as surf products in the Situbondo regency that apply the system, which is semi-finished material made with quantity of many or not on order, while the design process is done separately to order. The results of the finished products are cheaper and unique tend to be the choice of consumers and if innovations continue to be done, then the appeal of consumers to buy these products will increase.

### (b) Tekhnology of Marketing

Low to build marketing network and ability to find new market share make the perpetrators of SMEs in Situbondo can not grow significantly. The main key to the market share of sales is not only focused on the

existing market in bali by using online marketing media. Currently many new SMEs (start up) are able to quickly seize the market share of large companies, only with capital of internet media to market their product images. The main requirement in promoting products online is must have advice or smartphone device with good capacity and fast internet connection. When promoted product photos are bright, clear, and attractive, and uploaded as much as possible will increase consumer interest, as well as good connections will be helpful in responding to inquiries or transactions from consumers.

Electronic commerce (e-commerce) is a very effective medium to find potential customers. E-commerce is not only a medium for promoting goods but also provides access to safe transactions for consumers as well as providing freedom to seek products as well as for producers who sell their goods. Ecommerce is the most

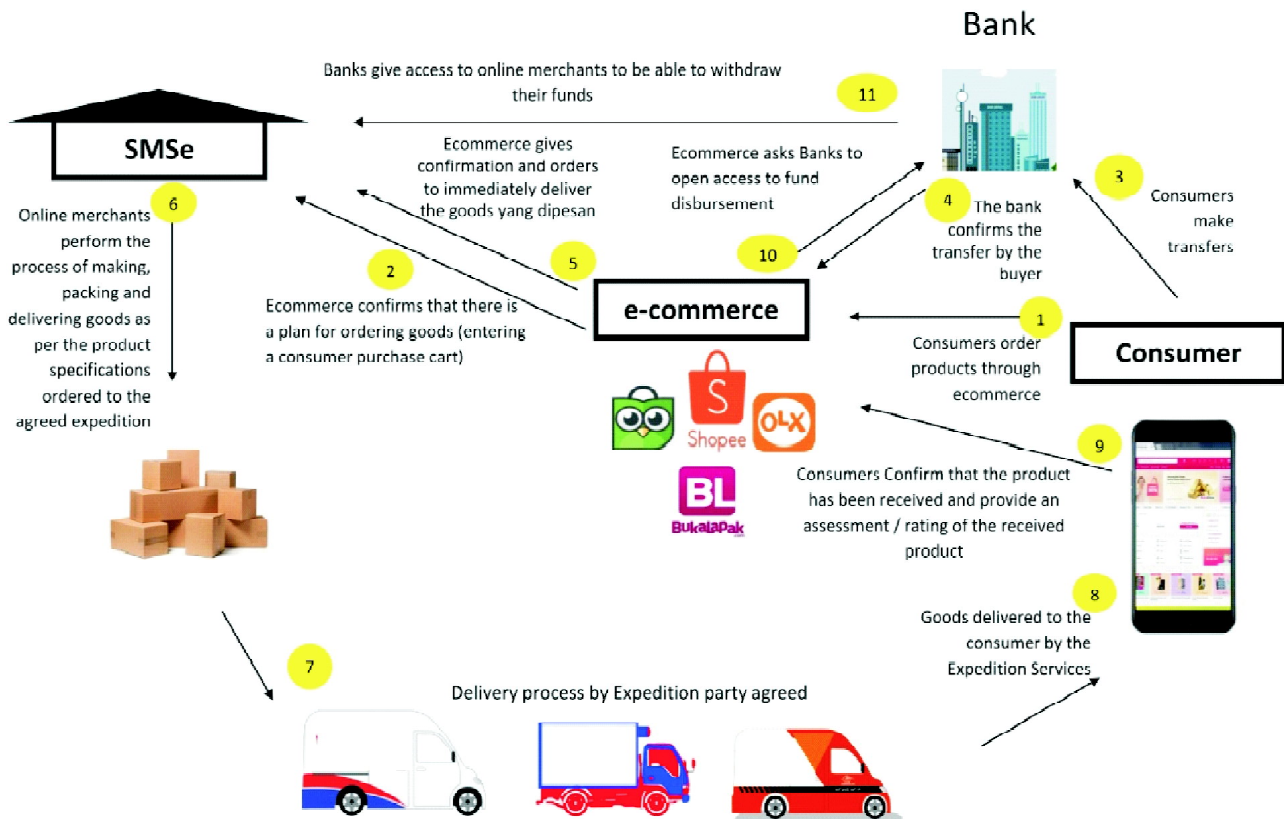
popular consumers to shop online including Lazada, Tokopedia, Bukalapak, Shopee, and OLX. Some systems are created to support the acceleration of product sales including free postage programs, “push” and “advertise” applications, time response, time delivery. With applications embedded in the e-commerce consumers only need to upload images, without having to promote directly through the store or promotion with print media to some areas. Furthermore, e-commerce companies will display the product on the first page of search related craft products. Products that can appear in the initial lookup can steal consumers’ attention if the product is capable of displaying attractive designs and suitable prices. This considerable opportunity should be able to be utilized well for electronic commerce in Situbondo Regency is able to compete as well as some other areas.

The e-commerce market place has positioned between consumers and producers in a balanced position so there will not be any transactions that deceive each other. A joint account program that can be a risk

bearing both parties, effectively able to boost the growth of online sales today. Some e-commerce is very suitable for the perpetrators of SMEs to increase market share are:

1. Marketplace C2C (Customer to Customer)

Marketplace is very suitable for the perpetrators of SMEs producing handicraft products, the more images of products uploaded, the more choices for consumers in choosing products. SMEs do not need to pay promotional costs and also will not be deducted transaction fees. The security system provided is better because of the implementation of the transaction feedback system. If the consumer feels that the goods received are not suitable, then the money transferred to the bank account will be automatically suspended until the consumer receives the product replacement as desired. Selection of delivery courier service and deadline of delivery time can be adjusted by agreement between consumer and producer. As in the picture 2 below:



Picture 2: Road Map of E-commerce Transaction

2. ecommerce Shopping Mall

This platform is almost the same as C2C, which offers transactions with a more secure transaction security system, the advantage if SMEs market through this shopping mall that means a manufacturer that has a good reputation both in terms of quality, price to service. Businesses who are members of this ecommerce platform will likely be charged an administrative fee in accordance with the provisions that apply.

3. Toko *online* di media sosial

In this marketplace, consumers and producers independently without any corporate ecommerce interference, any transaction errors will not be mediated by the service provider. The service providers on this product are very suitable for the sale of used goods. Like facebook, WhatsApp, Instagram.

**(c) Technology of Banking**

Every online business, must understand the process of electronic transactions both in terms of e-commerce companies and banking. Any SMEs who wants to open an online store in e-commerce requires some things like email address, mobile phone number, business address and bank account number of business owner. Banking is a requirement to be able to transact through e-commerce, because the transaction through this medium is not by way of direct face to face between the seller and the buyer. Purchased products will be delivered through courier service delivery company while the money from consumers in the bank transfer.

These banking transactions can further guarantee the security of transactions and avoid fraud, the nominal amount of transactions with consumers stored properly through electronic systems. E-banking applications that are currently launched by many banks is very helpful for easy transactions, banking transactions can be easily controlled using smartphones, and supported by the e-money that has been linked with some e-commerce companies and no need to pay cash. Free ongkir application which is also launched in almost all types of e-commerce is also one of the programs integrated with e-banking applications, so that at the time of purchase of goods and sales of goods do not have to pay the cost

of delivery in cash. "Open Wallet App" that applies to some e-commerce must also be understood by the perpetrators of SMEs, this application is a joint savings used before the transaction between buyers and online sellers declared complete. Once completed then the business actor can withdraw or transfer the money to the personal account.

**IV. CONCLUSION**

Business competition today can not be dammed, to face it need special strategies that can create a competitive power. The company's resources must be owned by nature resources, human resources, capital and teknologi. Aspects of human resources should be able to control aspects of technology owned company so as to create the effectiveness and efficiency of SMEs operations. Technology utilized to the maximum will accelerate the production process and facilitate the creation of new products. Innovation is the most important aspect and should always be done, the more product innovation is offered it will be easy to attract consumer interest and improve business competitiveness.

Strategy to catch up SMEs in Situbondo Regency can be done by utilizing three things, namely technology of production, technology of marketing, and technology of Banking. Technology of production requires the effort to always prioritize the effectiveness and efficiency of production and prioritize innovation. Teknologi of marketing untuk SMEs to always use the e-commerce media in promoting and transact, and teknologi of Banking to support and facilitate the exchange of money exchange with the programs implemented by banks.

**V. SUGGESTION**

This research is conducted only on the scope of SMEs handicraft producers in Situbondo, so for the next research is expected to be able to develop strategies for business actors at the National Level with competition scheme at global level.

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