

Proceedings of
THE 5TH
INDONESIA
INTERNATIONAL
CONFERENCE ON
INNOVATION,
ENTREPRENEURSHIP, &
SMALL BUSINESS

IICIES 2013

June 24-28, 2013

Grand Royal Panghegar Hotel & Convention, Bandung

5th Edition

Empowering Small Businesses
to Grow and Thrive in the Global Market

Editors

Dwi Larso, Donald Crestofel Lantu, Wawan Dhewanto

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Oleh: Center of Innovation, Entrepreneurship, & Leadership, School of Business and Management ITB.

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PREFACE

Needs for innovation, entrepreneurship and growing small businesses are increasing in a constantly changing world and tightly competitive economy. The growth of small businesses through innovation and the growing number of entrepreneurs are critical in gaining prosperity of a society. This issue is faced by countries in the world, developing and developed countries. Many countries are successful in addressing this issue, others are still struggling. Developing countries, such as Indonesia, with a very limited number of growing entrepreneurs and a very large number of not-growing small businesses, are facing a big challenge in shaping their prosperity. Efforts in creating new entrepreneurs and in growing small businesses are increasing. Many educational institutions create new programs in entrepreneurship.

The dynamic, unprecedented, and interconnected nature of today's business has called for scholars to do research in producing knowledge, useful in supporting innovation, entrepreneurship, and small businesses. The Indonesia International Conference on Innovation, Entrepreneurship, and Small Business (IICIES) was initiated in 2009 by the Center for Innovation, Entrepreneurship, and Leadership (CIEL), the School of Business and Management (SBM) at Institut Teknologi Bandung (ITB). Throughout the years, we constantly challenge ourselves to learn, study, and create local knowledge with global mindset to provide some lights in the development of new entrepreneurs and small businesses. This Conference provides a venue for Indonesian scholars and a network with international experts to collaborate.

This 5th IICIES has attracted more than 300 abstract submissions, about 200 papers were reviewed and more than 100 papers will be presented with the topics ranging from entrepreneurship theory to creativity and innovation, to entrepreneurship education, from social entrepreneurship to corporate entrepreneurship, from small business to family business, to growing business. Authors come from various institutions in Indonesia and from more than 10 countries. At least 300 researchers and participants from many universities and several countries are attending to this Conference. Part of these presented papers will be included in the special issue of *Procedia - Social and Behavioral Science* (SBSPRO), published by Elsevier. This shows the significant improvement on paper reviewing process.

In this occasion, I am honored to thank all contributors to the Conference including all Authors and Reviewers. Also, I have been blessed to work with a dedicated Organizing Committee, consisting of Colleagues at the Center for Innovation, Entrepreneurship, and Leadership (CIEL) SBM-ITB.

Thank you.

Dwi Larso, Ph.D.
Conference Chair

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Taking Advantage of Social Networking Power for Small Businesses

Yenni Djajalaksana¹, Daniel J. Surjawan²

¹Information Systems Program, Maranatha Christian University, Indonesia

²Informatics Program, Maranatha Christian University, Indonesia

¹yenni.md@fulbrightmail.org, ²daniel.js@itmaranatha.org

Abstract

The advance development of the internet and mobile communication provides many businesses with new opportunities to reach out to their potential customers. Among the many new internet tools and mobile apps, social networking provides a powerful and effective new way not only to spread out new product information but also to maintain constant contact with potential and loyal customers. Social networking tools, although have been heavily used by large-scale businesses and corporations, can also be utilized by small businesses in Indonesia. In Indonesia, the use of social networking is certainly fruitful as these generate new businesses and ultimately, profit from sales. There are various types of social networking tools that can provide such advantages, for example facebook, pinterest, twitter, blackberry messenger group, and foursquare. This paper discusses the new trend for small businesses in utilizing social networking tools and provides several important tips in utilizing these tools efficiently and successfully. Several excellent examples of existing small businesses utilizing social networking tools are featured and discussed.

Key words: social network, marketing, small business management

1. Introduction

At this very moment, any kinds of business cannot deny that they live in a boundariless digital world. Thomas L. Friedman, in his book *The World is Flat* (2005) stated the 10 forces that flattened our world. Small businesses or any size business owners cannot avoid the fact that some if not all of these major forces really changed the business competition landscapes forever. Globalization made it possible for any company in any location to perform outsourcing, off-shoring, supply chaining, in-sourcing, informing and employing/utilizing what he called the “steroids”. These were and still are the ones that influenced our business world nowadays. Today’s competition is fiercer than ever, and any business that stays stagnant will not sustain in a shorter or longer future.

Understanding the characteristics of small businesses, it is understood that small businesses perhaps will be among the mostaffected organizations by thisglobal competition. Being in a boundariless world, small businesses are no longer competing

against their peer small businesses, but instead, they compete against any size of businesses.

One of the most evident changes around Indonesia market is the high increase of mobile devices by Indonesian consumers. Internet, has increased its popularity due to the decrease in the costs of possessing mobile devices (cell phones, smart phones, android-based mobile devices, and many other kinds and brands of tablets), and the decrease of the cost to subscribe to cellular connectivity as the competition among the telecommunication providers are going fiercer than ever. It is not uncommon to find that an Indonesian maid who perhaps only earns Rp 500.000,- a month possesses a cell phone with internet connection, and conduct purchases online. Becak (rickshaw kind of vehicles) drivers who perhaps considered as a member of the lowest economic level also possess at least a cell phone. This world has completely changed, as Friedman (2005) stated, it has completely been flattened.

Today, the utilization of the Internet to reach consumers is not a question. Reaching and increasing new and potential consumers can be done through social networking sites as

well as social groups through different kinds of free (and paid) mobile apps. In fact, there are many small businesses in Indonesia which mainly earn their revenues by reaching their customers in the social network.

This paper will discuss several ideas on how Indonesian small businesses can utilize the true potential of social networking tools to increase their revenues and to add more new and potential customers.

2. Who are Small Businesses?

Small businesses are defined as businesses that are independently owned and operated, oriented towards profit, but are not considered as dominants in their field of business (SBA, n.d.). Most small businesses are dynamic forces in numerous market niches, which perhaps are not considered too profitable for large-scale businesses. Small businesses normally employed a limited number of employees and secure a limited revenue amount within specific time period. In Indonesia, small businesses are more commonly called UKM or Usaha Kecil Menengah. Based on the Decree from the President of Indonesia no. 99/1998, small business is defined as small scale community business activities with the majority of small-scale business ventures. Indonesia government considers that small businesses are those that possess assets in the value of Rp 200.000.000,- maximum excluding lands and buildings, maximum revenues of Rp 1.000.000.000,- annually, are owned by Indonesian citizen, independently operated (not affiliated with any large-scale companies), and solely owned.

Small businesses in Indonesia are considered as the backbone of Indonesia economy. Based on the statistics (ukmkecil.com, n.d.) by 2011, there are 52 million small businesses, which contributed 60% of the Gross Domestic Products, and employed 97% of Indonesian labor workforce. Thus, it is highly important for Indonesian government to nurture and facilitate the existence and survival of small businesses in Indonesia.

3. Networking and Social Networking Sites

Networking is a common practice for entrepreneurs, and is highly important for small business owners. Networking can be defined as connections with individuals which may contribute to the access of information or further potential connections with new individuals and other businesses. The benefits of networking for small business are proven as they can provide "access to markets, ideas, information, advice, business opportunities, and other resources" (Robinson & Stubberud, 2011). With the advent of the internet and the rapid advancement of the mobile communication, the basic social network which was performed traditionally through face-to-face meetings or verbal communications, has now been supported with social network through the internet communications.

Today's Indonesian consumers are much more educated than ever before. While the use of mobile communication devices had flourished several years ago, the advancement and the intensity of the utilization of mobile connections is on its high speed. Blogging, micro-blogging, social networking, social gaming, and so on, are no longer jargons especially for the younger generations. Examples of social networking are facebook, pinterest, twitter, blogs, blackberry messenger group, and many more.

Boyd and Ellison (2007) defined social networking sites as "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system." From this definition, we may conclude that social networking sites use the power of the shared connection and sharing the profile of one individual with others. Connections then can be made within wider network coverage, and there is no longer a need to ask for the direct acquaintance's help to connect with someone else. One can make direct connections with friends of friends as long as our direct

acquaintance allows us to view their network of friends.

Although we widely accepted that social networking sites allow us to meet strangers, it is not the most unique feature of the sites. Instead, one of the most unique features of social networking sites is the ability to show their profiles to the network of their social networks (Boyd & Ellison, 2007). Someone who stays only in a traditional (non-internet/digital) networking will not have the ability to have the kind of potential connections as what the social networking sites provide. When in the past one must request a personal call or personal meeting or acquaintance with their business acquaintance, it is no longer needed.

Today, the power of social networking sites has become known to the small business owners. A survey by discover card in 2010 revealed that the number of small business owners on social networking sites had tripled within only three years (Discover Financial, 2010). Moo.com (2012) conducted a survey on small business owners in the United States who mainly still believed in face-to-face networking, and found that the 70% of the small business owners participated in the survey used online social networking although they have not yet found solid evidence of the sales coming from these tools. We believe, however, this is about to change, and the following section of the paper will discuss some positive trends of social networking use in Indonesia.

4. Benefits of Social Networking

There are a number of benefits from social networking that worth the time investment from small business owners's limited time (Carter, 2013; Mershon, 2011):

1. *Generate exposure for small business*

Small business owners gain benefit from more exposure with the social media helps. Postings can quickly spread out, especially if the business owners post something either highly interesting or somewhat viral

information for its network. Approximately 88% marketers agreed that social media increased exposures (Mershon, 2011).

2. *Increase of website traffic*

When small businesses tweet or post messages on any kind of social media platform, small business owners can post a link for potential customers to follow up. Seventy two percent of small businesses owners stated that the social media posts increased traffic according to a study (Mershon, 2011).

3. *Easier to create marketing buzz*

Traditionally, a small business owner will have to pay for radio ads, flyers and posters printing, and community events to create their marketing buzz. With the availability of social media, marketing buzz can be spread quickly through the social media such as twitter, pinterest, and facebook, which are mostly free. There are also potentials to pay for the ads if needed and preferred, which is still affordable for small businesses. It is important to realize that this possibility can also give a reverse effect of giving bad buzz about the business if it's not done correctly.

4. *Provide channel to connect with other businesses*

The feature which allows one to view other "friend's" network is very helpful to assist small business owners in connecting with other businesses. This is certainly a big change as in the past one must request other's help to connect with other friends in the network. Social media creates this boundariless possibilities for small business owners.

5. *Save marketing costs*

Related to the marketing buzz mentioned earlier that can be done through social networking sites, any social media can save marketing costs because there is no longer needs of having the "hard copy" or "physical" printing costs as well as radio advertisement.

6. *Generate leads*

Social media has this unique possibility of attracting new leads from any corner of the

virtual world. If one piece of promotion or information spreads out, and especially if it goes viral, many will be attracted to view what the small business offers. It is common that new leads or new customers request answers from some questions about the products or services before they really make a purchasing decision. Social media provides this possibility for them to connect even though they have never consumed the products or services before.

7. Utilizing geo location/tagging and profile analysis to understand your customer base

Among the unique features, geo location/geo tagging which for example can be done through "foursquare", is a great help for small business owners to target specific groups of customers. In another chance, understanding where the customers are coming from or where they live or where they are hanging out would provide great sales opportunity. Geo location/ tagging makes it possible for a friend to invite other friends who happen to be nearby to join them. This particular feature is great for restaurants, coffee shops, other eating places, or any hang out places.

5. Utilizing the Power of Social Networking Tools

In this section, some tips on utilizing the power of social networking tools will be discussed, and few example will be shown. These are however, not a complete list of social networking tools, and instead, only a limited list of what perhaps the most commonly used by small businesses at the moment.

5.1 Facebook

With an approximate of over 750 million unique visitors per month, Facebook is really a giant among all other social networking sites (EbizMBA.com, 2013). As the number one most popular social network, Facebook indeed offers what other sites do not offer, the high potential traffics for small businesses. Not only

that Facebook offers features for small businesses such as Facebook page, Facebook groups, and targeted marketing ads with pay-per-click marketing fee, Facebook indeed is one of the most valuable tools for small businesses.

Fig.1 below shows an example of a Facebook page owned by BatagorRiri, one of the most popular culinary snacks in Bandung city – fried tofu with fish paste that can be enjoyed with peanut sauce. As you can view from the snapshots, this business manages to gather over 6,300 fans by now. Information to purchase the snacks is provided through the Facebook page. This business used to be a small business which had grown tremendously. Although Facebook page perhaps is definitely not the main reasons of the business growth, this channel provides more opportunities for "batagor" lovers to ask questions on how to order, and also interact with other fans for any kind of discussions about this snack.



Figure 1. Facebook page example

Facebook fan page allows anyone to "Like" the page and those who like the page can receive newsfeed/ updates from the page. This will help a small business to maintain contact with its loyal customers and access with new potential customers.

Another type of tools which can be used by small business is a Facebook group. This group can be set up as an open group, closed group, or secret group. For the purpose of business, small businesses will want to keep it as an open group so anyone can join. Facebook

group has similar functions with the Facebook fan page in terms of doing business.

One of the features that can be used by small business in Facebook is the admin panel which allows small business to view the page statistics (view Fig.2). When needed, small business can also advertise through Facebook by setting up pay-per-click ads through Facebook. Small business owners may choose to control the cost by setting up the caps for the maximum dollars to spend and set up the rate for the pay-per-click. This allows small business to remain in control while enjoying the Facebook marketing features. This advertising channel also allows targeted marketing as business owners are allowed to choose specific demographic profile as a filter as to who the ads will be shown.

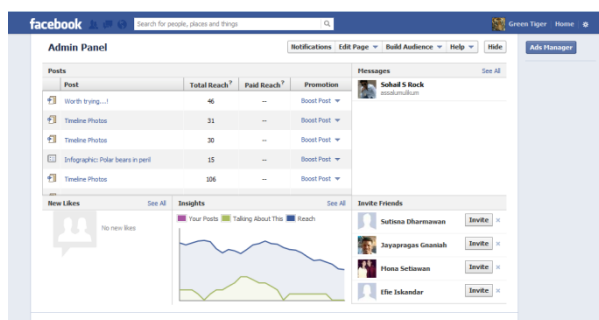


Figure 2. Facebook admin panel

The great thing about using Facebook fan page and facebook group is that it is very easy to set up. Just by following step-by-step instruction, a not too tech-savvy business owner can have a page and group set up for the business. There are also many free information and instructions available on the internet and Facebook FAQ should they encounter some technical problems.

5.2 Twitter

Twitter is indeed the number two most popular social networking sites. With over 250 thousands unique users per month (EbizMBA.com, 2013), Twitter is still far from passing Facebook. Regardless, twitter has its most useful feature, which is to create a buzz.

Fig 3.shows an example of different kinds of Indonesian business tweeting about their products.

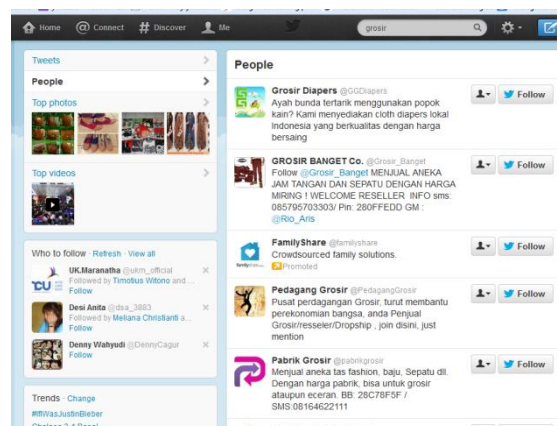


Figure 3. Twitter

The main challenge for small business owners is to be able to stand out of the sea of information and noises. The tweets can only be made in a maximum of 140 characters, thus, small business owners must be smart in determining what to pass on. A tweet about a current or upcoming promotion can attract people to visit the owners' small business physical location. Since the number of characters is limited, some practices may be needed to keep the message short and focused.

A key idea of using twitter is to understand that it is important to tweet "a great content for others to consume" (Bieller, 2011). Thus, the content of the tweets should be the main attention of the creator. If done right, the tweets can spread out very quickly and reach as many people as possible.

There are several success stories for using twitter. One of those from small business is from I Love Dogs, Inc. (Twitter.com, n.d.). This small business would like to increase awareness about their business in the pet's health business and promote their supplements through twitter.com. They tweeted information carefully, mostly information on dog care advice, breaking news during natural disaster, re-tweet of user-generated content, and information on sales promotions. This attempt produced highly positive results: 203%

increase in Twitter referrals to company website, 1068% increase in Twitter referrals to online store, and 52% increase in followers. Small business owners in Indonesia can certainly learn from the experience and success stories available of using Twitter.

5.3 Pinterest

Pinterest is among the newest social networking tools which started in 2010, but quickly rises to the top. Currently, Pinterest is gaining its popularity with approximately 85,500,000 unique monthly users, and has managed to be the number four in the most popular social networking sites (EbizMBA.com, 2013). Fig 4. below shows a snapshot of Pinterest board.

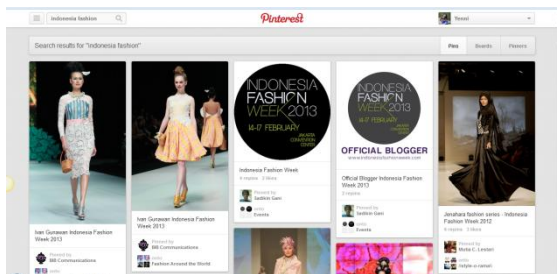


Figure 4. Pinterest board

Pinterest's basic idea is having a showcase of anything people like. Pictures and comments are the kinds of items which fill up Pinterest board. What is unique about Pinterest is that any users can re-pin an image from other users' Pinterest board. Similar to other Web 2.0 tools, users are also allowed to pin anything they found in the internet to their Pinterest board. Any users can follow other's Pinterest board, and get some updates about what's new in the user's board. Similar to the items on Facebook which can spread out quickly, images on Pinterest board can also be re-pinned quickly over one to other Pinterest board.

Small business owners can utilize the features available on Pinterest to market their products or services, and provide a Pinterest button on their company website. This will

allow loyal customers to pin it to their Board and allow other users to view it.

Several tips which can be useful for small business owners would be to have a permalinks to their posts, to maintain the visual images to be appealing, to post tags and watermarks on the images, install "follow me" or "pin it" buttons on their company website, and finally utilize hashtags (#), mention (@) and likes other people's pins (Taylor, 2012).

Pinterest is definitely great for businesses which need online showcases, such as art and crafts, fashion and accessories, and food and culinary. Other than these, Pinterest can also be effective for those who sell ideas and services. Just be sure that the images are appealing to public.

5.4 Foursquare

Foursquare is not in the top 15 of the most popular social networking sites, but this tool cannot be underestimated. With geo location/geo tagging feature, foursquare offers a unique tool for small business owners. This app is geared towards mobile devices rather than others. However, foursquare still have a website presence which matches its mobile apps.

Users of foursquare use it to find some locations they would like to go to, for example best places to eat, to enjoy entertainment, and such. They also want to know what experts recommend to them. Once they arrive at the location, they will check in and post something about the location. Businesses, then, can utilize foursquare to be discovered by foursquare users. In addition, by claiming the business location as something that the owner's possesses, it is possible to view the analytics of the site. The analytics tool will show how many check-ins the business were getting each week, and how many were being shared on Facebook and Twitter. Business owners can also find out the profile of the customers and even learn more about their top visitors. This updates can be set up so that it will follow users with recent tips and such.



Figure 5. Foursquare for business

A good example is foursquare for restaurant or café. Fig 5.shows the foursquare website for Butter Lane Cupcakes. Customers who uses foursquare can check-in when they visit the store, and post comments about the location. Other users can follow the talk and ultimately the business owners hope that the other users can also visit the business.

One feature from foursquare is that customers who are located nearby can view whatever the business posts at the latest. This will allow the business owners to post their current promotion. This can be another free marketing tool for small businesses to attract new customers.

5.5 Blackberry Messenger Groups

Blackberry is very popular in the Indonesian society. Almost every person carries more than one cellular phone, and one of them at least has some kind of social networking tools installed. Blackberry has the Blackberry Messenger app that allows users to communicate freely by text or voice as long as they subscribe to the Blackberry services. It also has the social networking feature – the Blackberry Messenger group.

Through the Blackberry messenger group, small business owners can post the images of the products they sell. Fig 6. shows an example of such practice. The great thing about this feature is that people get immediate notification about the new products posting, and products can be quickly sold. Communication through the group is possible,

and anyone can post questions or order by the images, or through messaging service.



Figure 6. Blackberry Messenger group

Many actually employ this Blackberry messenger group to accompany their e-commerce site. The Blackberry Messenger group is considered as an effective and economic tool to use for small businesses.

6. Tips to Avoid Social Jeopardy

Although we accept the fact that social networking tools have a lot of benefits, we must avoid the potential jeopardy which may result from bad publicity or public complaints. While praises are not quickly spread in the digital world, bad publicity can spread real fast in compounding magnitude. Minter (2013) offered several tips in handling such potential jeopardy:

1. **"Do your homework before engaging"**; it means that before we engage in any social networking activities online, it is best that we have researched well what we will post, or what we will respond. Arbitrary and contradicting responses can hurt the image of your small business, and it is much harder to recover when the business image had been damaged. A good illustration is that any kind of negative image cannot really be eliminated completely in the

digital world and thus, it is best for us to avoid it.

2. **"Deal positively with negative feedback"**; your audience definitely composes of diverse people, which posses different kinds of personality and backgrounds. In most cases, negative feedbacks will always exist, regardless whatever effort we have made. However, a wise small business owners will try to avoid throwing back negative feedback because it will only make things to worsen. Positive response with light hearted comments are better in this case.
3. **"Make things right"**; nothing can be perfect. Sometimes, we and our small business may really make mistakes. If this ever happens, then the best is to acknowledge our mistakes, and stay positive throughout the process. If possible such as making replacement of our products, or re-serving our customers, then do this. Customers are watching how we handle such troubles.
4. **"Understand you cannot make everybody happy all the time"**; as small business, most likely we have limited numbers of customers, and there is a tendency to make everyone happy. This thought is not something right to pursue. Negative feedback will always exist, and the best is to ask the unhappy customers to a different channel rather than trying to fix it in public.

7. How Indonesian Small Business Owners Utilizes Social Networking and Grow

This section will particularly discuss about the results of selected interviews on a number of Indonesian small business owners. They preferred that they remained anonymous for the purpose of discussions in this paper.

An interview was conducted on a fresh startup who is selling baby and kids items through Facebook profile page. She is a sole business owner located in Bandung city. She began her business approximately 3 months ago, and by now she already earns

approximately Rp 500.000,- to Rp 1.000.000,- of sales per month on average. The Facebook profile page is mainly used as a showcase or more as online catalog for her page friends. The use of Facebook profile page requires potential customers to request friendship before conducting any transactions. She mentioned that up to now she only sells to local customers within her reach.

The next interview was conducted with a small business owner who sold Korean-style fashion via Facebook page. She utilized both Facebook page as well as Blackberry Messenger Group. Mainly her business is as a direct reseller from a factory located in West Java area. She said that since its initiation approximately 2 years ago, from only her Facebook and Blackberry Messenger Group she managed to currently earn profits up to Rp 3.500.000,- per month from the sales. By now she also has several resellers who sell approximately Rp 1 - 2.000.000,- per month on average, which contributed to additional commission for her. She always posts her new items in both her Facebook profile and Blackberry Messenger Group, and normally out of her 300 members in her social network, she has 30-50 regular customers. She ships to any city in Indonesia wherever possible.

An interesting interview result was from an Indonesian Batik clothings reseller. He began selling 1 year ago, and mainly utilized his Facebook personal page, with over 2500 friends who befriending him because they are interested in purchasing batik or just merely friends with him. In the beginning the sales were not too high, but at the present, he managed to earn Rp 25 - 30.000.000,- per month only from his online sales. Today his customers are already expanding to foreign customers which include Hong Kong, Taiwan, Singapore, Malaysia, and South Korea. Now he also adds a Facebook group for his store with over 3500 members. By now he also has a number of resellers with a commission system for them. As amazing as it is, this is among the proof that Facebook existence can help small businesses both to grow and to sell more items.

The last example is a home-based company selling household cleaners. Originally, he started selling his products through his blogs using wordpress engine, and then continue on using more to business through the business networking indonet network to sell to the businesses. He started very small from only Rp 1.000.000,- sales per month, but the revenues were continuously increased, gradually, but sure. There were ups and downs, but today, after 7 years, his company had grown and can cash in almost Rp 200.000.000,- per month which had practically converted him to large-scale business owners based on Indonesian definition. The sales from online came from all around Indonesia cities and rural areas and are accounted for over 75% of his total revenues.

Although those interviews were somewhat limited, at least these provide some illustrations of the use of social networking sites for small business owners.

8. Conclusion and Recommendation

Small business owners compete against any size of business in the current “flat” globalized business world where boundaries are no longer existed. Small businesses have understood the benefits of utilizing their network of acquaintance to gain benefits for more businesses. Today is the era of digitals and digital social networking tools are among the free or low-cost marketing tools for small business owners. A number of small business owners in Indonesia had gained from the utilization of social networking tools to boost sales, reaching new leads, as well as to connect with their customers. This paper had provided brief coverage on the tools available as well as few tips on how small businesses can utilize it.

It is recommended that small business owners should not wait any longer and engage in the utilization of social networking tools as their additional marketing tools. With the increase of mobile devices users in Indonesia and the decreasing costs of Internet connection, there is nothing impossible to expand small

businesses through the aid of the digital tools available.

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