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Small Medium Enterprises: On Utilizing Business-to-Business e-Commerce to Go Global

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Abstract

In line with the growth of the Internet, the Business-to-Business (B2B) e-commerce has also been growing rapidly. Enterprises all over the world have been going global by taking the advantages B2B e-commerce, which can be materialized by joining global B2B marketplace websites. Thousands of Indonesian SMEs have joined these marketplace websites. However, based on analyzing the survey results, it is doubtful that the SMEs have been successful in marketing products via these marketplace websites despite the potential advantages of the websites. This paper presents the survey results, problems identified and recommendations for Indonesian SMEs, the government and organizations aiming to develop Indonesian SMEs to go global. The recommendations include how to develop company websites properly, how to join B2B e-commerce marketplace websites and how to communicate effectively in dealing with potential international buyers.

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Keywords: SMEs in Indonesia; B2B marketplace e-commerce; use of B2B marketplace by Indonesian SMEs

1. Introduction

E-commerce was first implemented in 1995 in its basic form, which was the sale of banner advertisements. Since then, e-commerce has been developing speedily. Currently, based on the market relationship, e-commerce is classified into Business-to-Consumer (B2C), Business-to-Business (B2B) and Consumer-to-Consumer (C2C). In line with the growth of the Internet, these three have been growing exponentially.

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However, among the three types, the B2B e-commerce is the fastest growing. It is reported in Laudon and Traver, 2011 that the revenue of B2B e-commerce reached approximately USD four trillions in 2011 (while the B2C's was approximately USD 240 million only). In attempt to take its advantages, SMEs in developing countries, including in Indonesia, have been adopting e-commerce but many problems still exist. This may hamper the successfulness in taking the advantages (see Sub-section 2.2, 2.3 and Section 3).

As discussed in Subramaniam and Shaw, 2002, there are a few models of web-based B2B procurement practiced in e-commerce, one of them is the third-party marketplace. The B2B marketplace is suitable in fragmented markets (buy side or sell side), where locating the buyer or seller is very expensive, and price and availability are the major purchase criteria. Marketplace websites are owned by third party companies who have both technological and domain expertise. One way that can be done by SMEs in going global via B2B e-commerce is by joining these marketplaces. Moreover, the websites usually offer free memberships that can be "tried" by SMEs.

Small Medium Enterprises (SMEs) in Indonesia seem to have been aware of the presence of B2B marketplaces and their advantages. By surveying members of global B2B marketplace websites, it is found that thousands of Indonesian SMEs have been joining and participating in B2B marketplace websites. In a marketplace website, the Indonesian SMEs even outnumber Chinese SMEs. However, by evaluating the SMEs company profiles, products posted, websites and the export statistics of 2009 provided by World Trade Organization, it is doubtful that Indonesian SMEs have been successful in using global B2B marketplace e-commerce to market their products abroad although e-commerce is reported as useful for enterprises in Indonesia (see Kurni, 2007). This fact leads to the research questions: What are the problems faced by Indonesia SMEs in going to global B2B e-commerce via marketplace? What recommendations can be formulated for SMEs development?

Despite the problems existed, the author has not found any research result associated with the use of B2B marketplace by Indonesian SMEs. Therefore, this paper is intended to contribute in this area. The methods implemented in conducting the research are: (1) Identifying the research problems and questions; (2) Performing literature study concerning the use of e-commerce in developing countries including Indonesia; (3) Surveying global B2B marketplace websites; (4) Based on the survey results and author experiences in using marketplace websites, the author proposes recommendations for Indonesian SMEs as well as organizations or government for SMEs development related to the use of B2B marketplace websites.

2. Related Literature and Research Results

2.1. B2B Marketplace E-commerce and E-Commerce Marketing Communication

There are a few models of web-based B2B procurement practiced in e-commerce, namely (Subramaniam and Shaw, 2002), which are buy-side procurement system, private marketplace, industry B2B exchange and third-party marketplace. These marketplaces are created by companies called market-makers or infomediaries who have both technological and domain expertise. Third-party marketplaces can be horizontal or vertical. Horizontal marketplaces aggregate buyers and sellers across a particular function across multiple industries. Vertical marketplaces aggregate buyers and sellers across a particular industry across multiple functions.

Third-party marketplace is suitable in fragmented markets (buy side or sell side), where locating the buyer or seller is very expensive and in standard and commodity products, and price and availability are the major purchase criteria. Third-party markets provide value by lowering the product price for the buyers, and lowering the search costs for both buyers and sellers. Therefore, factors that create the value are lower product price for buyers, lower search costs for both buyers and sellers and service quality.

According to Laudon and Traver, 2011, basic marketing concepts include: (1) Strategies and actions to establish relationship with consumer and encourage purchases of products and services; (2) Addresses

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