



The Role of E-Commerce and Social Media for Micro, Small, and Medium Enterprises (Literature Review in the field of MSMEs)

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ABSTRACT

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This study aims to examine whether the use of social media and e-commerce can increase consumer interest in purchasing. The Objectives of this study were to Examine the factor that affecting on the purchase intention on Micro Small and Medium Enterprise during the pandemic era, MSMEs experienced a decrease in income of up to 53.76% during the pandemic. This decline was due to the implementation of the PPKM (Enforcement of Restrictions on Public Activities) policy, which required people to stay at home during the pandemic. As a result, MSME entrepreneurs found it increasingly challenging to market their products, and only around 18.82% of MSMEs were able to increase their sales. This situation was possibly mitigated by the adoption of social media and e-commerce platforms to boost MSME sales. With the availability of these platforms, MSME stakeholders were able to adapt and survive in these difficult circumstances. The method used in this study is a literature review, and data collection involved gathering information from various journals, books, and previous studies related to the use of social media and e-commerce to improve sales. The results of this research indicate that the use of social media and e-commerce on various digital platforms can increase sales during the Covid-19 pandemic. Therefore, it is essential for MSME players to maximize the use of social media and e-commerce to boost sales for their businesses.

KEYWORDS:

Social media, E-Commerce, Purchase Intention, MSME's, Digital Marketing.

1. INTRODUCTION

Currently, Covid-19 is no longer declared as a pandemic, and the pandemic status has been lowered. However, the Covid-19 virus has caused significant economic recession, especially for entrepreneurs (Alfonsius, 2020). During the Covid-19 pandemic situation, the government implemented the Enforcement of Restrictions on Public Activities (PPKM) to control the spread of the virus. As a result, many people had to find ways to survive, especially Micro, Small, and Medium Enterprises (MSMEs) stakeholders. On the other hand, the pandemic also encouraged people to increase their use of social media while conducting activities from home. Many individuals maximized the use of social networks such as WhatsApp,

YouTube, Instagram, TikTok, Zoom, Google Meet, and others for work or leisure activities to alleviate boredom during the stay-at-home period. This situation also prompted MSME stakeholders to start marketing their products through various digital media and platforms to survive during the pandemic. Some MSMEs experienced increased income during the pandemic by utilizing digital platforms for sales.

E-commerce has existed before the Covid-19 pandemic, but its usage increased during the pandemic, driven by various factors, including the desire to increase sales for MSMEs. The use of e-commerce began around 2008 to 2009 during the global recession as e-commerce was seen as a relatively stable platform (Ikhsan & Hasan, 2020). However, social media usage further increased in 2021. The Covid-19 pandemic had a significant impact on MSMEs' income, with 53.76% experiencing a decrease compared to pre-pandemic levels. Meanwhile, 18.82% of MSMEs reported an increase in income. The decline in income for many MSMEs was due to reduced sales and decreased purchasing power, leading to reduced consumption (Hernikawati, 2022). The 18.82% increase in income could be attributed to MSMEs learning and rapidly developing the

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use of social media as a sales medium and leveraging e-commerce as a platform to sell their products.



Figure 1. Survey Result from BPS

Although many MSMEs have started using e-commerce to market their products, according to the Ministry of Communication and Information (Kominfo), the number of MSMEs using e-commerce is still relatively small. Out of a total of 58 million MSMEs in Indonesia, only around 8 million (equivalent to 14%) have joined e-commerce platforms. In Kebumen Regency, the Head of Cooperatives and MSMEs, Frans Haidar, reported that there are 11,990 MSMEs, of which only 1,090 are utilizing e-commerce and social media to market their products. This means only about 9.1% of MSMEs in Kebumen Regency are using social media. Some MSMEs are hesitant to adopt digital platforms due to their older age and lack of technology literacy.

The implementation of the Enforcement of Restrictions on Public Activities has also limited dine-in services (Ikhsan & Hasan, 2020)¹, leading to the rise in e-commerce usage and food delivery services such as Gojek, Grab Food, etc., benefiting MSMEs in the Food and Beverages sector. Many food establishments decided to move their operations from their rented locations to their production sites or homes, reducing production costs. Creating meaningful connections with consumers through digital channels has been identified as the forefront method for promoting brands and reaching a large audience (Khoa, 2022; McClure & Seok, 2022)². The emergence of numerous social media platforms has facilitated rapid communication technology development, enabling marketers to interact, communicate, and work with partners and consumers easily (Casper Ferm & Thaicon, 2021)³. Voorveld et al. (2018)⁴ stated that the increase in web-based information technology has expanded the number of social media platforms, allowing large-scale information dissemination digitally. Terms such as "Web 2.0," "social network communication," "social networking," "social networking sites," and "blogs" have been proposed previously to represent the meanings of social media sites (Kaplan & Haenlein, 2020)⁴.

The significance of social media in influencing consumer purchasing behavior, product discussions, and marketing of both new and existing products and services has led to its rapid development in recent years (Khoa et al.,

2021)⁵. Kar and Kushwaha (2021)⁶ mentioned that social media is often used to search for important information about a company, driven by the easy accessibility of smartphones to access various information on digital platforms. The use of social media is not only limited to product marketing but also used to study the population's typical characteristics in a region to determine the target market and products to be marketed. However, according to Casper Ferm & Thaicon (2021)⁷, although there have been many studies on using social media as a promotional tool, research on the impact of social media on consumer choices is still relatively scarce.

Based on the above explanation, this background makes the topic of MSME development with e-commerce and social media usage worth examining. It also explains the researcher's interest in studying the role of e-commerce and social media in increasing revenue or income for MSMEs that have adopted e-commerce and use social media to influence purchasing decisions.

This study was a literature review study, which is a technique used to investigate and solve a problem by collecting information from books, literature, notes, and reports relevant to the research problem. This research also adopts a descriptive research design. According to Sugiono (2011)⁸, descriptive research is a method based on current facts to solve a problem by investigating and describing the involved objects and subjects, whether they are individuals, institutions, communities, and so on. Thus, this descriptive research aims to analyze and describe research findings without making broader conclusions. In this study, secondary data is collected from various sources such as related department websites and previous research journals.

II. RESULTS

Junawan et al. (2022)⁹ stated that the use of social media, especially the YouTube platform, has seen a significant increase each year. The increase in social media users has reached 160 million users per month. According to Machyudi in Izzulsyah (2020)¹⁰, many people nowadays use social media to share activities, such as entertainment, conducting business, interacting, and obtaining information from outside without the need to travel. This increase is attributed to the Enforcement of Restrictions on Public Activities, which reached level 4, limiting people to stay at home and only go out when necessary. Additionally, official activities like meetings, workshops, and even learning are conducted online using platforms like Zoom as a solution to overcome learning constraints.



Figure 2. Prosentage user of the Internet

According to Ritter and Pedersen (2020)¹¹, transformative marketing strategies that can respond effectively to major crises such as lockdowns are relatively new but not entirely unheard of. Digitalization has become an important issue for many B2B marketers in recent years. Lim (2021)¹² emphasizes the importance of digitalization, especially during lockdown situations, to accelerate the development of marketing strategies by applying technology to each marketing element, thus facilitating the digitalization of B2B marketing in the era of the Fourth Industrial Revolution. The use of social media for business should improve their marketing and product development, as it allows for quick information and transactions without significant costs.

The Covid-19 pandemic has accelerated digitalization and quick adaptation not only in the technological realm but also in other sectors. It includes faster decision-making processes, improved ways for companies to listen to customers' desires and complaints, and greater flexibility in adopting strategies. Covid-19's influence significantly affects consumer behavior as a source of market demand and supply (Jacobides and Reeves, 2022)¹³. This makes it easier for manufacturers to meet consumer desires and create products to satisfy them. Notably, companies can easily conduct market research through social media and e-commerce to understand consumer desires, competitors, and determine the right prices without incurring significant offline research costs and time. Video reviews and testimonials from product users also help companies convince consumers to use their products.

Viral marketing and e-WOM (electronic word-of-mouth) have become new phenomena in the digital marketing world. There are many empirical examples of marketing where a product or service can suddenly gain significant profits or experience significant losses due to viral marketing influence (Hendrayati and Pamungkas, 2020)¹⁴. Viral products on social media are sure to attract many consumers to try them out. The benefits of using social media have been recognized by companies that relied on social media for marketing and communication during the first Covid-19

PPKM policy. The restrictions prompted MSMEs to reconsider their previous activities, emphasizing the importance of social media as a primary channel for creating new relationships with customers and stakeholders, strengthening connections, and in some industries, selling products or services. Hence, it can be concluded that the use of social media can influence consumers' purchasing choices.

E-commerce has multiple definitions. According to the blog at Gramedia, e-commerce encompasses all trade activities conducted through electronic media. While television and telephone services are available, e-commerce primarily occurs through the Internet. Technological advancements, especially the Internet, have affected many aspects of life, including retail. Trade has transformed in terms of buying and selling processes and product marketing. This trading process is generally known as electronic commerce or e-commerce. According to the definition proposed by Karagozoglu & Lindell (2004)¹⁵, e-commerce is the process of buying, selling, or trading data, goods, or services via the internet. Laudon and Traver (2017)¹⁶ describe e-commerce as commercial transactions that involve value exchange using digital technology between individuals. Access to e-commerce can be through browsers, websites, or applications provided by e-commerce platforms as a means for customers to facilitate buying and selling transactions.

E-commerce is considered a breakthrough that can accelerate product marketing. It started with the proliferation of buying and selling transactions using electronic media, such as on the Kaskus forum website in 2008. Many transactions took place on the forum, but most of them still used the Cash on Delivery system due to the absence of a joint account as a third party, resulting in a lack of trust between sellers and buyers. With existing technological advancements, website developers began developing e-commerce websites as buying and selling sites, providing the services of third parties as intermediaries to transfer funds to sellers once the goods were received by buyers. The proliferation of e-commerce usage gave rise to various websites and applications that provide e-commerce services, such as Lazada, Bukalapak, Tokopedia, Blibli, Shopee, and others. With the advancement of e-commerce technology, it extended to the Android world with applications accessible through the Play Store. Having these applications on smartphones makes it easier for users to utilize e-commerce as a means and medium for buying and selling, simplifying the process.

The use of e-commerce applications makes it easy for MSMEs to market their products, as the features on smartphones enable them to take and upload pictures to e-commerce applications they have. This can trigger an increase in sales for MSMEs. However, many MSMEs are still hesitant to use e-commerce due to the difficulty in operating smartphones, especially for older individuals who may struggle to keep up with technological advancements.

Nevertheless, the Covid-19 pandemic pushed MSMEs to embrace technological advancements as a result of the Enforcement of Restrictions on Public Activities. People were forced to conduct activities from home, making it challenging for MSMEs that had not implemented e-commerce usage. Many MSMEs struggled to survive during the Covid-19 pandemic due to the decline in income, which only covered operational costs such as rent, employee salaries, and raw material purchases. Consequently, MSMEs had to start selling through e-commerce and utilize social media for buying and selling activities. By implementing e-commerce and social media usage to boost sales, MSMEs felt a breath of fresh air and expanded their market reach. This is in line with research conducted by Febrianto (2018)¹⁷, which stated that Economic Globalization, particularly through the implementation of AEC (ASEAN Economic Community), has the potential to create market opportunities for MSME products in Indonesia. The government, as one of the stakeholders, continues to strengthen the MSME sector, focusing on increasing e-commerce adoption. Previous research also revealed that e-commerce has a significant impact on the economic growth of micro, small, and medium enterprises (UMKM). E-commerce provides positive impacts for UMKM, including increasing revenue, expanding marketing reach, reducing operational costs by eliminating the need for physical stores, and streamlining the transaction process for both UMKM and consumers (Putra et al., 2023)¹⁸. Therefore, it can be concluded that for MSMEs to cope with the Covid-19 pandemic, they should implement e-commerce and social media usage as alternative solutions for product sales. Furthermore, research by Dauda et al. (2023)¹⁹ stated that the use of e-commerce significantly affects the increased revenue of MSMEs in Gowa Regency. From this, it is evident that utilizing e-commerce as a platform to boost sales for MSMEs is a suitable approach to face the pandemic, with the worst-case scenario being a lockdown policy that requires people to stay at home during activity restrictions. Additionally, the lockdown policy makes consumers feel safer and more comfortable shopping from home.

Furthermore, Sugiarti et al. (2020)²⁰ state that there has been a change in customer behavior shifting towards using e-commerce platforms. This is due to the various advantages offered, such as ease and security in transactions and attractive promotions provided by these platforms. The presence of e-commerce platforms also offers many benefits for sellers. They can promote products with more affordable costs and conduct transactions securely. The insignificant growth of MSMEs when relying solely on retail sales through local merchants made MSMEs switch to e-commerce sales and use social media to expand markets and reach more consumers in various regions.



Image 3. The Impact of E-Commerce During the Pandemic

Truline (2021)²¹ states that the utilization of e-commerce platforms like GoFood also provides several advantages for producers or MSMEs. One of them is the ease for MSMEs to receive feedback from customers, such as through monthly evaluations provided by consumers. This allows MSMEs to conduct evaluations more easily. By receiving monthly evaluation reports from their partners, MSMEs in the culinary field can easily evaluate and make improvements to their products, packaging, ingredient compositions, and other aspects that need enhancement. Based on this, it can be seen that the use of e-commerce can improve sales performance and product communication through various digital platforms.

III. CONCLUSION

From various previous research, it can be concluded that the use of e-commerce and social media influences the increase in purchase interest. This can be seen in previous studies where social media usage significantly influences consumers' buying interest. Through social media, MSME owners and producers can communicate and promote their products through advertisements and testimonials from product users to convince consumers to use their products. Additionally, social media usage allows consumers to provide feedback on product usage or complaints, which helps improve or maintain product and service quality after purchase. Maintaining good communication with consumers is a way to ensure their satisfaction and loyalty to continue using MSME products. Furthermore, the use of social media by MSMEs serves as a means to conduct market research to understand market demands and preferences. By meeting market demands and preferences, MSMEs can create products that suit consumers' needs, thus increasing sales. On the other hand, social media usage also has potential negative impacts, such as Negative e-WOM (Word of Mouth), which can damage consumer trust. Negative e-WOM includes negative reviews or customer dissatisfaction published as public content without addressing the issues privately through chat (Inbox/Direct Messenger), resulting in a negative brand image. This can be detrimental to MSMEs that are still establishing their businesses. Therefore, social media usage

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should be done wisely by including channels for customers to express their dissatisfaction, which can be addressed through various strategies, such as quality improvement, quality control, or compensations to disappointed customers as part of the responsibility of the MSME entrepreneur.

Meanwhile, the use of e-commerce platforms such as Gojek, Grab, Tokopedia, Shopee, Bukalapak, Blibli, Lazada, and others has been proven to increase consumer purchase interest. This is evidenced by the fact that using e-commerce, MSMEs can increase their sales and survive during the pandemic. This change is driven by customer behavior, where they prefer using electronic media for purchases. The ease provided by electronic media applications on smartphones enables people to conduct buying and selling activities without leaving their homes. E-commerce usage has expanded to various sectors, including culinary producers in the MSME sector. The use of mini-market applications such as Klik Indomaret, Alfagift, allo fresh, yogya online, matahari, UNIQLO ID, and others facilitate consumer transactions for daily necessities. Additionally, e-commerce has penetrated the traditional market sector, as evidenced by the PASAR ONLINE website provided by the Department of Industry, Trade, Cooperative, and MSMEs of Kebumen Regency, making it easier for consumers to shop. With the advancement of technology, the progress of MSMEs can be accelerated to support the acceleration program of Indonesia's economic growth. This is because the MSME sector contributes significantly to the country's economy. MSME's contribution to the GDP reaches 60.5% and contributes to 96.9% of the total national employment absorption. This proves that MSMEs have a substantial contribution to Indonesia's economic growth.

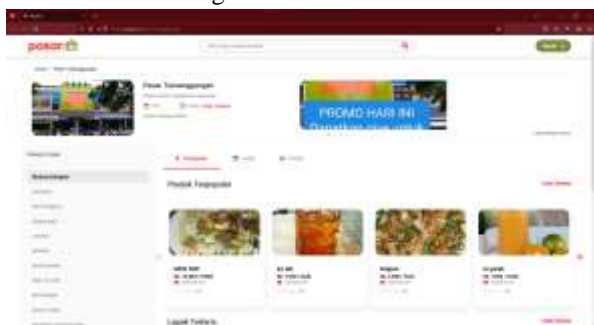


Image 4. Pasar Online Kebumen Website Display

Online markets are a realization of the government's efforts to accelerate economic growth by boosting the MSME sector's growth. Additionally, the PEN (National Economic Acceleration) program supports MSMEs by maximizing the financing of People's Business Credit (KUR) during the pandemic. The government also expects that by 2024, more MSMEs will implement digitization by utilizing social media and e-commerce. By starting to use digital platforms, MSMEs can expand their market reach, access domestic and international raw materials through the Global Value Chain

(GVC), and market their products globally through Global E-commerce (GEC), thereby increasing Indonesia's economy. Thus, it can be concluded that it is essential for MSMEs to start utilizing social media as a means of communication between MSME players and consumers and use e-commerce to help producers reach more consumers and increase consumer trust through product reviews and testimonials. Additionally, consumers will feel secure when conducting transactions with the involvement of third-party fund transfer, such as the common system of joint accounts (REKBER) applied in e-commerce platforms like Tokopedia, Shopee, Lazada, and others.

However, further research is needed regarding the use of social media and e-commerce as means to increase consumer purchase interest. Future research is expected to add other variables as mediating or moderating factors, such as Consumer Trust Level or Brand Image of MSME products.

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