

Review Article

E-Commerce and the Advantage of Competing SMEs

(Theoretical and Empirical Studies)

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Abstract - *The existence of UKM (Small and Medium Enterprises) has proven to provide employment and survive and become an economic driver, especially after the economic crisis. On the other hand, SMEs also face many problems, namely limited working capital, low human resources, and insufficient mastery of science and technology, so that they lack competitiveness. This research method uses a descriptive exploratory approach by analyzing the use of e-commerce information technology to increase SMEs' competitiveness. This scientific work was developed using a literature review or putaka study approach. The theory/concept approach is carried out by referring to several sources, such as books and scientific journals. The results of this study indicate that the key to success in being able to survive in the midst of competition lies in its ability to build its competitive advantage. Utilization of IT with the application of e-commerce can be a company strategy in building a competitive advantage through marketing expansion, providing business efficiency, controlled operating costs, not limited to space and time, and can increase income. The use of e-commerce can help some small businesses compete with large companies and expand their reach to all regions to improve supply management to facilitate business operations. Thus, the existence of business actors who take advantage of technological developments such as e-commerce can provide added value in competing with other business actor.*

Keywords - *E-commerce and Competitive advantage.*

I. INTRODUCTION

Small and Medium Enterprises (SMEs) are a pillar of the economy in Indonesia. In 2018, the number of SMEs in Indonesia reached 99.99% of Indonesia's total business and contributed 57.3% of the total Gross Domestic Income (Ministry of Cooperatives and MSMEs, 2018). This shows that SMEs are an economic driver and make a significant contribution to the Indonesian economy. UKM is also a labor-intensive business, so it can absorb labor, so that this is very helpful for the government to overcome the number of unemployed in Indonesia.

SMEs' contribution is that they can absorb labor and have a huge influence in reducing unemployment in a country, both developing and developed countries (Shaik

et al., 2017). Based on Law Number 20 of 2008, the criteria for SMEs are to have a net worth of more than IDR 50,000,000 (fifty million rupiahs) up to a maximum of IDR 500,000,000 (five hundred million rupiahs) excluding land and buildings where the business is carried out or have annual sales proceeds more than IDR 300,000,000 (three hundred million rupiahs) up to a maximum of IDR 2,500,000,000 (two billion five hundred million rupiahs). The results of research support this by Lusy (2019) that SMEs have good business continuity through loans provided by financial institutions, which are shown by an increase in income and additional assets, an increase in the number of workers used, and an increase in a more prosperous standard of living.

Mustikowati (2014) states that SMEs are very weak in competing, seen from the difficulty in increasing output due to limited knowledge, limited adaptation to environmental changes, and less dexterous in facing market competition. The competition that occurs is not only between companies within a country but occurs between companies from various countries (Easton & Zhang, 2002) as a result of the imposition of a free market economy by several world organizations, including AFTA. In the readiness of SMEs to face competition in the business world, an SME is required to read market changes and read the environment faced in the competition to compete with its competitors. Companies must increase and maximize the strength they have to overcome the intense market competition.

Unfortunately, many MSMEs do not have good enough competitiveness, let alone facing the COVID-19 pandemic. Because they have limited capital, human resources, and business understanding, many SMEs have experienced bankruptcy during the COVID-19 pandemic. Based on the results of an ILO survey of 571 ILO MSMEs in Indonesia in 2020, 90% experienced financial cash flow difficulties (cash flow) was severely disrupted, and 52% of MSMEs lost up to 50% of what they used to earn. Around 63% of MSMEs are forced to stop their employees (Kabar Bisnis, 2020).

SMEs that want to survive are starting to turn to online businesses to replace income earned offline due to human movement restrictions during the COVID-19



period. A survey conducted by Indonesian SMEs in 2020 also states that there are still 8% of SMEs that have experienced an increase in turnover amid the COVID-19 pandemic. All of these UKM have gone online or have marketed their products online (UMKM Indonesia, 2020).

The business world is getting livelier, creating a competitive climate that is very competitive, fast, and difficult to predict. All producers of goods and services must continuously improve, refine, and even innovate to increase their competitiveness. Many large companies run their business via the internet or so-called e-commerce. E-commerce, or what is also known as electronic commerce, is the use of communication networks and computers to carry out business processes "(Morrison, Breen, & Ali, 2003). E-commerce itself is part of e-business. In addition to using network technology, it also uses database technology, electronic mail (e-mail), and other forms of non-computer technology such as delivery systems and payment instruments.

In line with the increasingly high business competition and the minimal use of e-commerce in the development of SME businesses, an in-depth study of SMEs' competitiveness is an important matter. Therefore, this study aims to determine the use of e-commerce information technology to increase SMEs' competitiveness through a literature review.

II. THEORETICAL REVIEW

A. Resources Based View (RBV)

Resource-Based View (RBV) has become one of the most influential theories in the history of management theory, especially in strategic management theory. In general, RBV focuses on understanding the organization's potential resources and capabilities (Robbins and Coulter, 2007). This theory aims to explain how the internal resources of a company can achieve sustainable competitive advantage. However, not all company resources are factors that can make the company gain a competitive advantage.

Resources Based View is defined as a unit of strategic assets that are rare, valuable, imperfectly imitable, and non-substitutable (Meso and Smith, 2000). The resource-based view is seen as a strategy for achieving organizational competitive advantage by identifying heterogeneous organizational resources. This resource-based approach aims to classify strategic organizational resources that have the most potential to create competitive advantage (Akio, 2005). Ireland (2003) argues that if you can manage resources and capabilities strategically and structured manner, the competitive advantage will increase. Based on resources and attention that focuses on creating a competitive advantage, this view is a fundamental principle that determines differences in terms of wealth creation.

According to Barney and Clark (2007), to achieve sustainable competitive advantage, companies must pay attention to the criteria of company resources, namely: a. Resources add positive value to the company. b. Resources

are difficult for competitors to imitate. c. Resources are unique or scarce among its competitors. d. Resources are not replaced by other sources by competing companies. Nieves and Osorio (2014) conducted an empirical study that showed that the resource-based view can explain or influence a company's innovation capacity. RBV theory states that internal and external factors affect firm performance depending on the competitive environment and the industrial context (Makhija, 2003).

B. Competitive Advantage

Every company that competes in an industrial environment has the desire to be superior to its competitors. Generally, companies implement this competitive strategy explicitly through the activities of the various functional departments of the company. The basic premise of creating a competitive strategy starts from developing a general formula for how the business will be developed, what the goals are, and what policies will be needed to achieve these goals. The notion of competitive advantage (competitive advantage) itself has two different but related meanings. The first definition emphasizes excellence or superiority in terms of resources and expertise owned by the company.

Bharadwaj et al. (1993) explain that competitive advantage results from implementing a strategy that utilizes various resources owned by the company. Unique skills and assets are seen as sources of competitive advantage. Unique expertise is a company's ability to make its employees an important part of achieving a competitive advantage. The company's ability to develop its employees' skills properly will make the company superior, and the implementation of a strategy based on human resources will be difficult for its competitors to imitate. Meanwhile, unique assets or resources are the company's real resources to carry out its competitive strategy. These resources must be directed to support the creation of company performance that is low cost and has differences (differentiation) with other companies.

A similar opinion was expressed by Porter (1990), who explained that competitive advantage is the heart of marketing performance to face competition. Competitive advantage is defined as the benefits strategy of companies collaborating to create a more effective competitive advantage in their market. This strategy must create a continuous competitive advantage to dominate both the old market and the new market.

Bharadwaj et al. (1993) revealed that competitive advantage is measured by indicators of uniqueness, rarely found, not easily imitated, not easily replaced, and competitive price. Bratic (2011) states that competitive advantage is measured in four indicators: Price, Quality, Deliver Dependability, product innovation, and time to market. Peng et al. (2011) prioritize cost priority, quality priority, deliver priority, flexibility priority, and innovation. Michalic and Buhalis (2013) use image, quality, differentiation, contact, and price to see a competitive advantage. The conceptual research

framework of Li et al. (2006) develops five indicators for measuring competitive advantage, namely: price/cost, quality, delivery dependability, product innovation, and time to market.

C. E-commerce

Electronic Commerce (e-Commerce) describes buying, selling, transferring, or exchanging products, services, and/or information with computer networks, including the internet. Most e-commerce is done via the internet, but e-commerce can also be done through private networks, such as local area networks (LAN) or even on single computerized machines (Turban, Aronson and Liang, 2005).

E-commerce takes several forms depending on the level of digitization (transformation from physical to digital) of (1) goods/services being sold, (2) processes (e.g., ordering, payment, fulfillment/settlement), and (3) shipping methods. Goods can be physical or digital, and processes can be physical or digital, and delivery methods can be physical or digital. Traditional trade has three physical dimensions, whereas pure e-commerce has three digital dimensions. If one of the dimensions is digital, it is called partial E-commerce Turban, Aronson, and Liang (2005). E-commerce provides benefits for companies to increase efficiency, reduce inventory costs, increase sales, improve customer relationships, penetrate new markets, and ultimately financial returns. Ecommerce provides a cost-effective way for SMEs to market themselves, launch new products, improve communication, get information and identify potential and competitive business partners (Bao and Sun, 2010).

III. METHOD

This study uses a descriptive exploratory approach by analyzing e-commerce information technology to increase SMEs' competitiveness. This scientific work was also developed using a literature review or literature review approach. The theory/concept approach is carried out by referring to several sources, such as books, scientific journals, and the internet. All descriptions of existing ideas are combined in one arrangement of thought framework.

IV. DISCUSSION

A. The role of the use of e-commerce information technology in increasing competitive advantage

Advances in Information Technology (IT) need to be utilized by Small and Medium Enterprises (SMEs) to develop their business through e-Commerce. On any scale, IT, especially e-commerce with its various varieties, is a need that must be met. The desire to keep up with the times, the ease of promotion and product marketing, the desire of MSME players to develop a business, ease of transactions, and the absence of time and space restrictions are a series of factors that support the use of e-commerce by MSME players.

MSME business players believe that using IT with the application of e-commerce can expand marketing, provide business efficiency, control operating costs, are not limited by space and time, and can increase income. The use of IT

by implementing e-commerce can be a competitive strategy that will increase SMEs' competitiveness. By utilizing e-Commerce in their business operations, SMEs will get wider market access and have the opportunity to attract new customers. On the other hand, customers will find it easier to get the required information on-line. Various savings and efficiencies will be achieved in terms of transportation costs, telephone or fax communications, delivery, documents, prints, time, and labor.

According to the theory of the use of e-commerce and competitiveness by Turban and Humdiana (2006), e-commerce can help several small businesses compete with large companies and expand their reach to all regions to improve supply management in facilitating business operations. Thus, business actors who take advantage of technological developments such as e-commerce can provide added value in competing with other business actors. Tambunan (2011) states that the determinants of competitiveness include the availability of capital and technology availability. In addition, Porter (2010) also mentions that several dimensions will impact MSMEs' activities and competitiveness, including the dimension of condition factors in which there are sources of science and technology and capital resources. With the readiness of capital and the existence of technology that supports micro, small and medium enterprises, it will provide added value in competing in a market with various products and services offered by other micro, small and medium enterprises.

Amir sedighi and behroz sirang (2008) show that e-commerce can suppress operational and non-operational {administration and support} e-commerce can increase speed, accuracy, and increase communication between internal and external parts, reducing operational costs. Ramanathan et al. {2012} show that e-commerce and information technology are considered tools for business actors to improve their current business activities. The operation effect and e-commerce marketing effect have a significant positive impact on business performance.

The results of research conducted by Spicaalmilia and Robahi (2007) show that the biggest benefit of using e-commerce in a company is that it can increase sales turnover by a percentage of 31%, the next benefit is an increase in the number of customers by a percentage of 25% and the next is expansion. Business reach and promotion facilities with 16% and opportunities for new business opening and customer satisfaction with the same percentage, namely 5% and the last is the ease of relationships, which is only 2%. Based on the descriptive analysis of motive factors, it can be concluded that the factors that drive companies to use e-commerce consist of six factors, namely those that are the highest expectations for companies when they want to implement e-commerce: accessing global markets by 56%, promoting products by 63%, building brands. 56%, get closer to customers by 74%, help communicate faster with customers by 63% and satisfy customers by 56%. Based on the second analysis, the descriptive analysis of the company's benefits with the

application of e-commerce consists of two factors, namely the biggest benefits of the company after implementing e-commerce, namely customer satisfaction by 74% and competitive advantage by 81%. (2013) show that e-commerce sites are very effective for sellers when viewed from the perspective of active members of TokoBagus.com, which is the number one buying and selling site in Indonesia with achievements being able to penetrate the number of active members up to 2.5 million more since its establishment. Eight years ago and more than a hundred thousand visitors every day. In other words, e-commerce sites significantly impact the level of sales speed, traffic levels (visits), and revenue. This proves that e-commerce sites are quite effective for sellers.

V. CONCLUSION

The key to success in being able to survive in the midst of competition lies in its ability to build its competitive advantage. Utilization of IT with the application of e-commerce can be a company strategy in building competitive advantage through marketing expansion, providing business efficiency, controlled operating costs, not limited by space and time, and can increase income. The use of e-commerce can help some small businesses compete with large companies and expand their reach to all regions to improve supply management to facilitate business operations. Thus, business actors who take advantage of technological developments such as e-commerce can provide added value in competing with other business actors.

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