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# **Building Virtual Business Communities: One of Ways to Create Marketplace for Small Medium Enterprises (SMEs)**

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***Abstract.** Multi dimension crisis hit Indonesia in year 1997-1998, until now the recovery of economy in Indonesia is still not satisfying. Many big ventures have closed or moved from Indonesia. This paper will show SMEs are ventures that survive and expand, and facilitating the development of SMEs and creating new marketplace for SME with Virtual Business Communities are needed. Higher education students and graduates are potential knowledge based entrepreneurs that can more easy to educate and be involved in internet and creative economy era. This paper will explain why and how virtual business communities in this era will create marketplace for SMEs to sustain more efficient and effective.*

***Keywords.** SMEs, marketplace, virtual business community*

## **Introduction and problem review**

Virtual community is also called e-community or online community is a group of people that primarily interact via some form of mechanism such as letters, telephone, email or Usenet rather than face to face. If the mechanism is a computer network, it is called an *online community*. Virtual and online communities have also become a supplemental form of communication between people who know each other primarily in real life (Tuomi, 2001). Then virtual business community is a virtual community built for business purposes.

There are some definitions of marketplace, as follows:

1. Internet websites designed for electronic commerce, acting as a meeting point between supply and demand within a virtual marketplace Internet. (Anonymous1, 2007).
2. Where the company's products are sold and can be defined by types of customers and / or location. (Anonymous2, 2007)
3. The space, actual or metaphorical, in which a market operates. The term is also used in a trademark law context to denote the actual consumer environment, ie. the 'real world' in which products and services are provided and consumed. (Anonymous3, 2007)

The definitions show that marketplace can be a place virtual or real where potential buyers and sellers meet and make transactions. Nowadays virtual marketplace is also called e-marketplace, and related to its definitions, some literatures called e-marketplace as electronic markets or e-market.

The electronic market is, in effect, a brokering service to bring together suppliers and customers in specific market segment. The particular strength of an electronic market is that it facilitates the search phase of trade cycle; it is about finding the best buy, depends on criteria the customers may wish to apply, having found an appropriate offering to electronic market will then, normally, include facilities for the execution and settlement of the transaction. (Whiteley, 2004)

Based on Ministry of Cooperatives and Small and Medium Enterprises of Republic of Indonesia, there are three kind of enterprises that could be categorized as Small and Medium Enterprises (SMEs) (So, 2006), they are:

1. Micro Business, small scale economics activities and done in traditional and informal, that means not yet registered, recorded, and have no registration number from regulatory bodies. Maximum sales amount is Rp. 100 millions annually.
2. Small Business, is people economics activities with following criteria:
  - a. Business with net asset of maximum Rp. 200 millions, excluding land and business building
  - b. Business with maximum sales Rp. 1 billion annually
  - c. Stand alone business that is not a subsidiary or branch of a company that owned by, acquired by, or affiliated to medium or big scale business either directly or indirectly
  - d. Could be an individually owned, incorporated or a cooperative
3. Medium Business, economic activities with following criteria:
  - a. Business with net assets of more than Rp. 200 millions but not exceed Rp. 100 billions, excluding land and business properties.
  - b. Stand alone business that is not a subsidiary or branch of a company that owned by, acquired by, or affiliated to medium or big scale business either directly or indirectly
  - c. Could be an individually owned, incorporated, or a cooperative

In 2005 there were 518,996 SMEs in Malaysia which have played an important role in Malaysia's economics growth. These SMEs comprised around 99 per cent of total enterprise in Malaysia, contributing around 65 per cent of total employment. (Pope and Jabbar, 2006) Table 1 shows numbers and percentage of SMEs in Malaysia.

Table 1. Number of SMEs in Malaysia in 2005

Business Size	Number	Percentage
Micro	411,849	79.40
Small	95,490	18.40
Medium	11,657	2.20
Total SMEs	518,996	100.00

Source: National Development Council (2006)

Contribution of SMEs to Indonesian economics can be seen in its absorbance of workforce. In 2004 absorbed 79.03 million people and had contributed to GDP 56.70%. At the same time their portion to non-oil-and-gas export was 19.90% which still could be raised as long as the SMEs treated well. (So, 2006)

There are some Weaknesses of and SMEs that make problems in their competitiveness, as follow: (Team, 2005)

1. Limitation to information reach
2. Limitation to market access and production factors
3. Limitation in capital structure and access to capital sources
4. Limitation to technology access and ability
5. Weak in management and organization
6. Limitation in networking and cooperation
7. Lack of experience in fulfilling commodities standards
8. Lack of experience in bidding

### **Research Objectives**

This paper is an exploratory study follows the assumption that SMEs will be helpful should they can create their markets using many kinds of approaches. One of the approaches is creating marketplace with using virtual community.

This paper aims at examining the ways of creating virtual community, its success factors and also things to be avoided in developing marketplace. In particular, the paper sought to:

- Identify ways to create virtual community
- Investigate success factors and pitfalls in forming virtual community
- Examine enabling factors of marketplace

### **Methods**

This paper is based on literatures study, Focus Groups Discussions (FGD), and also case study analysis. Literatures study is needed to collect information and considered as basis of thinking and paper writing. FGD consists of experienced individuals who involved in developing virtual community, web-based applications, and counselor for SMEs. Case study analysis is to checked literature study and FGD.

The discussions were made in 3 rounds, the first round was icebreaking session and discusses the experience of FGD members in dealing with virtual community development and next rounds discussed intensively how to assist SMEs in overcoming their weaknesses. Each round took not more than 3 hours for discussions. Limited meetings with business and information technology lecturers were made to gain inputs and for purpose of feedback.

## Results

Many ways to develop a virtual community, it can be with business or non-business intention at the beginning. The most important thing is to facilitate a virtual place that as many people can come together to interact each other. The interactions may be active or passive, passive means the community member access the facility but limiting himself / herself to watch activities of the community.

Activities to create virtual community can be:

- Making Blog
- Establish Discussion Forum
- Activating Mailing List
- Create Portal

Making Blog means the virtual community is made by facilitating certain subjects of interest. The Blogger, the one who start the blog, usually contribute articles of subjects chosen and allow others to comment or contribute. As time flows, members of the blog will also increase in numbers. When certain number of members reached, the blog owner then will redirect members to a business purpose. An example is a blog which provide articles on Bird Flu to help visitors to understand this kind of influenza, and afterwards offering vitamins and / or masker for influenza prevention.

Discussion Forum is aimed to gather as many people as possible to discuss certain issue. The discussion can be arranged in treads for the ease of access. While blogging has been facilitated by certain software which is free, discussion forum must be created using more efforts.

Mailing List have been a common facilities provided by search engines. Mailing List gathers members for specific category. Wide categories may be chosen for its purpose such as religion, education, gender, etc.

Different from activities above, Portal needs to be built with more efforts. Many facilities are usually provided here, such as news, free email address, etc. With these facilities many members will sign in as registered member and use benefits provided.

Some of success factors in creating activities are:

- Topics provided must be interesting ones
- Easy to be accessed

The disadvantages of activities above are that member who wants to join must have adequate knowledge about internet to allow members to access. Topics and/or url address that do not identify by potential members may not be visited.

Marketplace may be forms should certain amount of members acquired. Marketplace may be more successful if members who join the virtual community have similar interest

with products/services offered. User-friendly facilities to support transactions are also important issues need to be provided.

### **Discussions**

Students both in high school and higher education levels are potential virtual community builders. They need to be introduced with this kind of community while being awared with advantages of marketplace as media to market SMEs products / services. Among those that do succeed, it would not be surprising if market maker's key to success is finding clever ways to appropriate more of value they create—possibly through patents or the creation of technical standards (Eisenmann, 2002)

SMEs are proven to be more sustained, thus young entrepreneur with ability of using internet are encouraged to be creative to built communities as they will be useful to market products / services that will be sold.

### **Conclusions**

Virtual communities have many advantages over physical communities. Universality and low cost standard properties mean that anyone can join the group if he / she meets the group criteria. Distance is no longer a drawback to belonging to a community. The time moderator effect also suggests that groups do not have to meet at the same time (Afuah and Tucci, 2003)

There are ways to create marketplace, one of them is virtual community with business interest, usually called virtual business community. With systematical steps in creating marketplace, the business purpose of SMEs may be fulfilled as planned

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