9 Case Studies: Enabling SMEs in Indonesia to Participate in the New Economy

To complete this research, below are three examples of e-commerce and Internet application in Indonesia that are specifically built to empower small and medium enterprises. The interviews to the sites owner are conducted from June 25 to July 3, 2003.

9.1 Case Study #1: NAFEDVE.com

NAFEDVE.com was initiated and owned by National Agency for Export Development, an agency part of the Department of Industry and Trade, Republic of Indonesia. It was originally built to advance the SMEs' capability to enter the global market. One of the initiators was Mr. Rahayubudi, Director of Centre for Export Information and Training. He realized that the Internet is the cheapest and the best way to compete in global marketplace.

Based on consideration that the SMEs' IT literacy in Indonesia is still low, NAFEDVE.com combines the usage of IT and conventional ways, including physical visits, to serve its members.

Although it was originally intended for the SMEs, the website also asked several big industries to join. The reason was simple: It needed something to attract the foreign market, and it regards big industries as eye catchers to the visitors.

Aim and objective

1. As a "virtual exhibition" center, it aims to be a key agent in fostering the capability of SMEs in Indonesia to compete in the global market.
2. Help Indonesian SMEs' to promote their products globally.
3. Facilitate information-sharing on entrepreneurship for all the members
4. Promote the benefit of ICT to the SMEs

Cost and funding bodies

NAFEDVE.com is solely owned and maintained by National Agency for Export Development (NAFED), a Government of Indonesia agency under the Department of Industry and Trade. The

website's daily activities are run by the Centre for Export Information and Training, a division inside NAFED.

In practice, NAFEDVE.com is supported by local offices of the Department of Industry and Trade. This way, they managed to reduce the operational cost to run their activities. This is considered very important to reach SMEs in thousands of islands all across Indonesia.

Participants

The website currently has 86 members. Most of them (98%) are small and medium enterprises, while the other two percent are considered large-scale industries.

The membership composition is as follows:

Chemical Products	1	1 %
Fashion Accessories	4	5 %
Footwear	2	2%
Furniture	26	30%
Garments	5	6%
Handicrafts	30	36%
Household products	3	4%
Leather and Products of Leather	1	1%
Musical Instruments	1	1%
Paper and Paper Products	1	1%
Plastics Products	1	1%
Stationery	2	2%
Textile Products	7	8%
Toys	2	2%

Most of the members are considered as low information technology (IT)-literate. For that reason, NAFEDVE.com combines both conventional technology for the "IT illiterate" SMEs and any advanced technology available for SMEs equipped with IT gadgets. Through the location visit to the selected SMEs, NAFEDVE.com managed to introduce the importance of IT in order to win the tight competition in global market. To overcome the limitation of their human resources, NAFEDVE.com often asked the local officials of the Department of Industry and Trade to help introducing NAFEDVE.com activities.

Eighty percent of the members are located in Jakarta, the capital city of Indonesia. It is considered reasonable since Jakarta has better IT infrastructure than other places in Indonesia. In addition, with their human resources and fund limitations, NAFEDVE.com started their effort with the SMEs near their office.

Technology

Inaweb, one of the leading web developer companies in Indonesia provides the technology used by NAFEDVE.com. The website is running on Windows NT operating system, written in ASP language.

The program provided by Inaweb facilitates web administrators to conduct an advanced evaluation for their websites. Besides the commonly used visitor counter, this site also records the visitor's IP and how long those visitors spend their time exploring the website. It means that the web administrator can assess whether their website design or contents are attractive or not. Based on that evaluation, NAFEDVE.com will be able to make necessary improvements in order to attract more visitors.

To get in touch with the members, NAFEDVE.com uses any possible way to overcome the communication infrastructure problem. In some areas, they even contact local officials of the Department of Industry and Trade to visit the SMEs that have no phone lines installed.

Services

1. Provide a "virtual exhibition" center for members to display their product. This facility is critical for majority of SMEs that don't have financial ability and IT knowledge to promote their products online. The assistance includes visiting the location and taking pictures of products using digital camera.

2. Provide export-management training for members to promote their businesses, which is the core responsibility of NAFED, the owner of NAFEDVE.com
3. Provide e-mail account for members to enable them to have correspondence with other parties abroad.
4. Provide "Trade Leads", a posting facility for buyers and members to display their products or needs. Any inquiry posted in this facility will be delivered to the appropriate members.

Impact and Achievement:

By using intensive approaches, NAFEDVE.com has succeeded in convincing SMEs to utilize ICT as a means to promote their businesses. Some SMEs have even run their own websites, albeit in a somewhat elementary fashion.

In the beginning most members has never known ICT, let alone using it for business. These members were contacted through NAFED-sponsored events (export-import training, exhibitions, and seminar). They were later persuaded with the benefits of using the Internet in marketing their products.

To SMEs that do not have any means to access the Internet, NAFEDVE.com provides a telephone- and also mail-based information service. Members can contact NAFEDVE.com site administrator via the telephone, fax, mail, or even go to the nearest Department of Industry and Trade office. On the other hand, NAFEDVE.com can also use those means to contact the members.

Besides capital, another main difficulty for the SMEs to compete is their management capability. Some members who didn't perceive the importance of having product catalogs were persuaded to submit the photos of their products to NAFEDVE.com. To those SMEs who do not have any camera or do not understand photography techniques, NAFEDVE.com usually sends its personnels to take pictures of their products using digital cameras.

Currently, NAFEDVE.com has started its cooperation with Japan's agency JETRO to exchange information on commerce and to place banners in JETRO's website.

Lessons Learned

NAFEDVE.com learned a lot from the failures of other websites and also from other technical hindrance they deal with on a day-to-day basis. To overcome them they took several measures:

1. Giving free and proactive service to the members, considering the facts that most SMEs have poor knowledge of ICT and have financial limitations. By offering such service, it expects to attract a lot of SMEs in using ICT.
2. At present Rahayubudi, the site administrator, is still not satisfied with NAFEDVE.com's ability to disseminate information about Indonesian SMEs' products. The reason is simple: Even though NAFEDVE.com claims to be the center for Indonesian SME product marketing, it still does not have presence in search engines such as google.com.
3. Recognizing responsiveness as the key to customer satisfaction, NAFEDVE.com sends trade leads (requests from foreign buyers) only to the members who are considered ready to respond quickly.

9.2   Case Study #2: sme-center.com
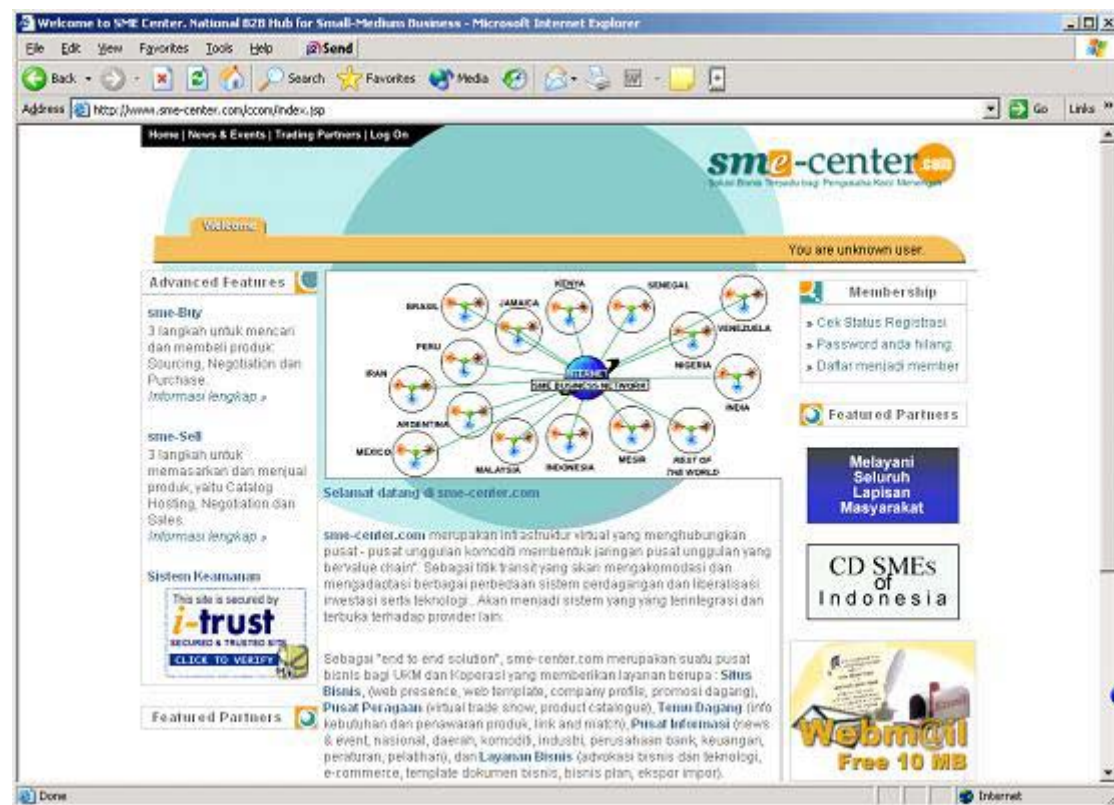
In the beginning, the embryo of sme-center.com was Center for Development of Small and Medium Enterprises (CD-SMEs), a part of an undertaking done by a group of individuals within the Indonesian Chamber of Commerce (KADIN) to increase the business capacity of SMEs in Indonesia. Through Center for Development of Small and Medium Enterprises (CD-SMEs), KADIN has conducted management training programs for SMEs since the 1980s. It has also sponsored joint facilities to further advance SME businesses, especially in the marketing area. KADIN, for example, has set up collective marketing programs to reduce travel costs. It also has advanced the competitiveness of Indonesian SMEs by increasing their available goods capacity.

Following the rise of ICT awareness in Indonesia, there was an effort in 1997 to utilize the technology to support such cause. The initiative came from Firman Subagyo, currently the head of SME and Cooperative Development Department in KADIN. In November 2001, the sme-center.com was launched. It was meant to serve as a virtual marketplace and education facility for all its members.

Aim and Objective:

1. To be the leading institution in empowering and developing small and medium enterprise in Indonesia.
2. Establish a global market information network system interactively, easily, cheaply for SMEs.
3. Assist SMEs in improving their business capabilities in the global market by applying Information Technology.
4. Provide assistance to the members in promotion, business consultation, transactions, and post transaction activities.

Cost and Funding Bodies

Initiated by Mr. Subagyo, KADIN, in cooperation with Bank Rakyat Indonesia (BRI), a leading state-owned bank that provides loans to SMEs, and PT Telekomunikasi Indonesia (TELKOM), the biggest telecommunication company in Indonesia, agreed to implement new ways in empowering SMEs in Indonesia. This project was based on experience and the result of research done by education institutions, that the improvement and empowerment of small and medium enterprises could not be done partially and sporadically. So it was the reason why they built Center for the Development of Small and Medium Enterprises (CD-SMEs), to answer this challenge.

In performing its vision and mission, CD-SMEs has collaborated with BRI and TELKOM to set up telecenters designed specifically to advance SMEs capability through IT utilization. Together they built 9 SME-Centers as pilot projects in 9 cities in Indonesia, that is Padang, Jakarta, Cirebon, Makassar, Yogyakarta, Jepara, Sidoarjo, Denpasar, and Balikpapan with www.sme-center served as the portal. As a portal, sme-center.com plays a vital role in the whole CD-SMEs project. It is a means of promotion that can reach broad potential market all over the world.

The latest progress in the development of CD-SMEs, the Government of Republic of Korea has granted aid through technical assistance. The assistance will be a program in ICT development for virtual training and establishment of 33 SME-Centers to improve ability and knowledge of SMEs in Indonesia, and also to their trading activities in global market.

Participants

The website currently has 1020 members across Indonesia. Of those members, around 80 % were registering through SME-Centers and the rest were registering online from any other places. Most of the members were initially IT-illiterate. Through information distributed by SME-Centers, sme-center.com has now posses the largest members among other websites providing e-commerce in Indonesia.

The key factor to get its members is by using the SME-Centers spread in 9 cities. These SME-Centers provide cheap alternative for SMEs with limited ability to use IT in order to enhance their business.

Technology

At first, sme-center.com was developed simply as a means to exchange information among members and offer their products online, and also as a tool to promote the products it contain to other parties in the world that cooperate with KADIN. The site uses Windows 2000 to support Java Script Program (JSP). However, the website was continuously developed until it would finally be able to handle commercial transactions online (planned for August 2003). For this end, sme-center.com owner felt it necessary to improve their network security by using security software built by a local company I-Trust (www.i-trustonline.com).

In the next step, starting July and scheduled to finish on August 2003, this site will use a "banking application system" that integrates payment transactions by using members' account numbers. The system, which is already tested, was provided by Internet Computer Technology Limited (Australia). It is made to comply with the platform used by Bank Rakyat Indonesia (BRI).

Services

Until now, the website does not charge its members for the services and facilities it provided. Members may use the website to get a free e-mail address, information about product demands and supplies, and also other educational information related to business and management.

Members are given the opportunity to display their products, both virtually in sme-center.com and either physically in SME-Centers. The SME-Centers in this case functions not only as telecenters and training centers, but also as exhibition centers for members' products.

Impacts and Achievements

The presence of sme-center.com as an ICT media has encouraged many SMEs to use it as a way to promote their businesses. Some members who finally joined the sme-center.com to promote their products have demonstrated an increase in their sales.

Seeing the increase in the number of sme-center.com members, some private companies have expressed their interest to develop such program. This proved that CD-SMEs programs have a great potential in promoting small and medium businesses. Just last year, the sme-center.com even received an award from IBM and the Department of Information and Communication, Republic of Indonesia for its efforts in utilizing ICT to advance SMEs in Indonesia.

Lessons Learned

1. Considering the fact that most SMEs have financial limitation and low ICT literacy, one needs to approach them by providing telecenters as a way to introduce the benefits of using ICT in their businesses.

2. It is necessary to give the right solution to SMEs, particularly on management and marketing problems. This can be done by giving various training programs in telecenters and creating a collective marketing system.

3. One thing the website has not opened its list of products and companies to public browsing, only to registered members and parties cooperate with KADIN, making it closed and unattractive to a wider market.

9.3   Case Study #3: BaliQualitySilver.com
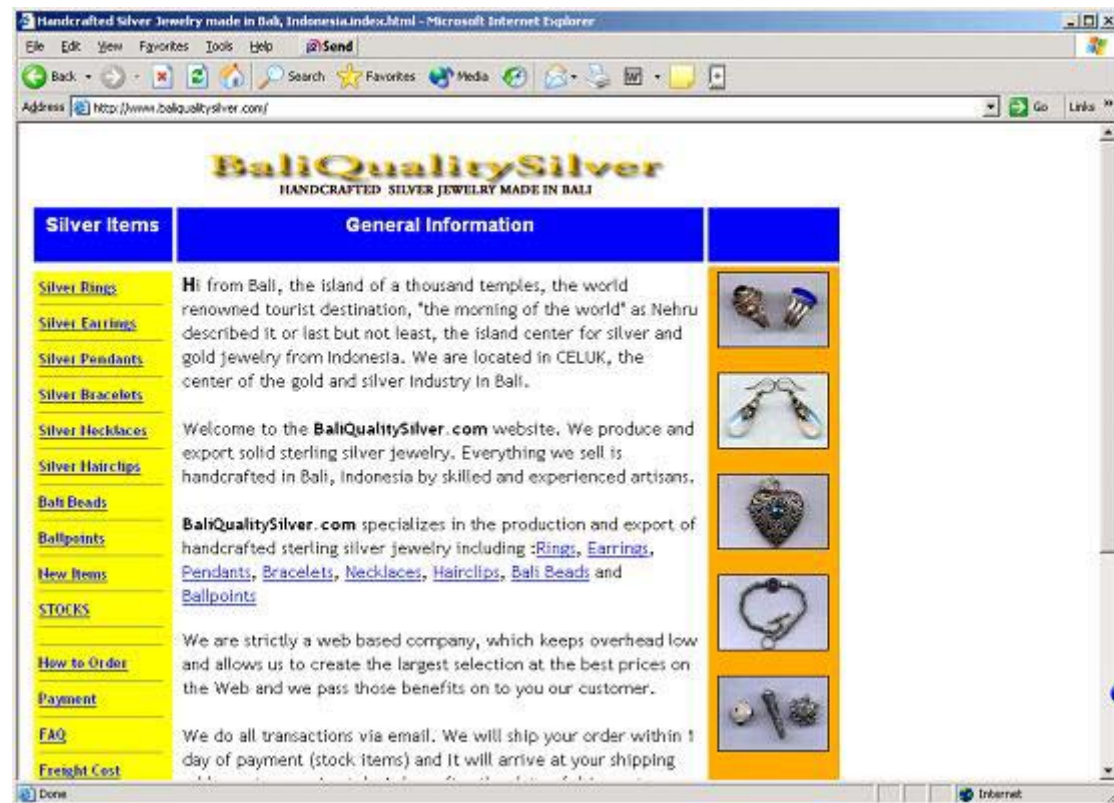
(Note: This is a family business run in a very traditionally, simple management. Because of that, the data shown might not be satisfying. The reason this site included in this research is because their profile known as small company with high comprehension about benefit of IT utilization. In 1996, where the Internet is still something very unpopular facility for most Indonesian people, they have managed to use the Internet to promote their products.)

Bali Quality Silver began as a home business that started utilizing the Internet in 1996. It uses the website as a showroom to market their products, which are silverwares and handicrafts. The sole initiator of this website was Made Kembar Kerepun, the founder of Bali Quality Silver, who foresaw that marketing via the Internet would rapidly grow in the future. He believed that through the Internet, marketing products will be more efficient, effective, informative, reaching worldwide with an affordable cost. Up to now, this family business has six running websites.

Aim and Objective:

1. To introduce the company and its products worldwide.
2. To seek foreign buyers for its silver products.

Cost and funding bodies:

The company spent initially around 50 million rupiahs to build its first website and the necessary infrastructures in 1996. At that time, Bali Quality Silver started out with 2 units of Apple computers, a scanner, and a digital camera. It also hired a freelance staff from Australia to translate the website contents into English.

Technology

Satyawibawa, son of the business founder and initiator Made Kembar Kerepun, saw the family business as small in nature, so he set out to develop the website by himself. With limited knowledge, Satyawibawa used the HTML language to write the program.

Service

Though Bali Quality Silver has used the Internet to display its products, so far it can only accept purchase orders by e-mail and fax. The company cannot yet accept online payment via the Internet, as most banks in Bali are not ready to handle it. Furthermore, it is considered too expensive and too complicated for a small company like it. So, it decided to use any possible way, namely combining conventional payment with IT to make fast confirmation. Currently Bali Quality Silver accepts payment through wire transfer to its bank account. Once the buyers transferred the money, they are asked to send the bank transfer receipt via fax or e-mail.

Lessons Learned

Satyawibawa, the current site owner, said that the Bali Quality Silver website has made the company and its products more widely known than before, which helps them a lot in the marketing side of the business. He found out that in e-business, one has to be always active, creative, innovative, and honest, not to mention responding quickly to incoming e-mails.

9.4   Comparative Analysis of SME E-Commerce Initiatives in Indonesia

Projects	Members	Year Started	Source of Funding	Services	Technology
NAFEDVE.com	86	2003	Fully funded by government	Free membership subscription including opportunity to display products and listing of company Posting products for sale and viewing products needed by buyers Information about inquiries, export-import procedures and trade events	Written in ASP running on Windows NT Infrastructure and program provided by Inaweb
sme-center.com	1020	2001	KADIN, PT TELKOM, BRI and other private sector	Free membership subscription Provide education through virtual information Establish a cooperation for market matching in the global market	Running on Windows 2000 written in Java language (JSP)
Baliqualitysilver.com	-	1996	individual	1. Products display 2. inquiries through e-mail	Running on Windows NT written in HTML