

E-Commerce Impact on Small Companies

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Abstract. This study aims to determine how much influence e-commerce has on small companies. The type of research method used was descriptive method by examining the results of several studies. The results of this study were that e-commerce was able to increase the number of sales and expand market reach. Based on the results of the literature, it was found that the existence of e-commerce can increase the productivity of small companies.

1. Introduction

E-commerce consists of technology, applications and business processes. The purpose of e-commerce is to connect companies with consumers in electronic goods and services trading forums [1]. E-commerce is an electronic business process that involves various entities [2]. A company in the marketing sector must possess a strategy concept. E-commerce is a good concept to use now. That is because 30% or around 82 million people of the total population of Indonesia had used the internet. Data in 2013 stated that the value of e-commerce transactions reached IDR 130 trillion based on data from the Minister of Communication and Information [3]. E-commerce can increase company profits and increase the economic growth of a country [4].

Four types of e-commerce are business to consumers, business to business, consumers to business and consumers to consumers. Business to consumers means all company products include goods, services, and services are sold to consumers. Business to business means the companies buy products from other companies. Consumers to business means the consumers approach or promote their expertise or projects to companies. Consumers to consumers means buying and selling personal items through the internet or social media [5]. There are three groups of benefits from e-commerce: company, price, and productivity. To be able to compete in the market, companies must have the right strategy because the technology and the market now are getting stronger. Convenient and efficient transactions are important factors [6]. There are several factors that hinder the development of companies in developing countries, including political, environmental, social and cultural factors so that they have difficulty implementing e-commerce as their company strategy [7].

The purpose of this study was to determine the impact of e-commerce on small companies. The research method used was qualitative by conducting observations in the field. With this method the data generated would be accurate.

2. Method

The method used in this research was descriptive method. This method led to a description of research according to the facts in the report. It was hoped that this method could get accurate data by conducting observational research into the field.

3. Results and Discussion

Small companies had limited assets and resources. In order to sustain the business, it must begin to expand to information technology. As the growth of internet users was growing now in Indonesia, this moment should be utilized. Quoted from the website databooks.katadata.co.id based on wearesocial.sg data (Figure 1), internet users in Indonesia reached 132.7 million users or 51% of the total population. Active social media users reached 106 million users or around 40% and active mobile social media users reached 92 million or 35% of the total population [8] (Figure 1).

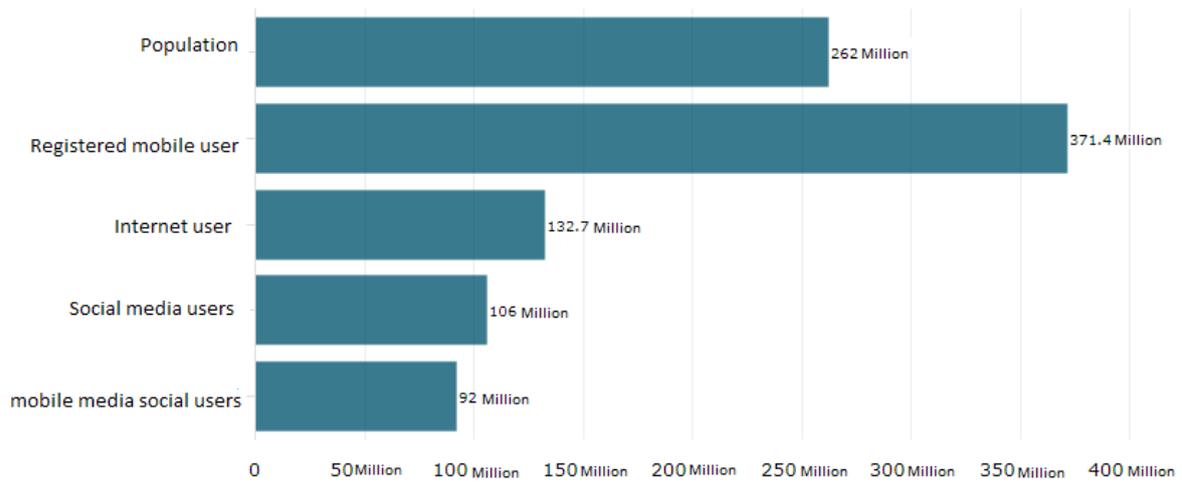


Figure 1. Mobile Users and Social Media Penetration (January 2017)

Figure 2 explains, based on the previous study, e-commerce users increased each year were adolescents aged 16-24.

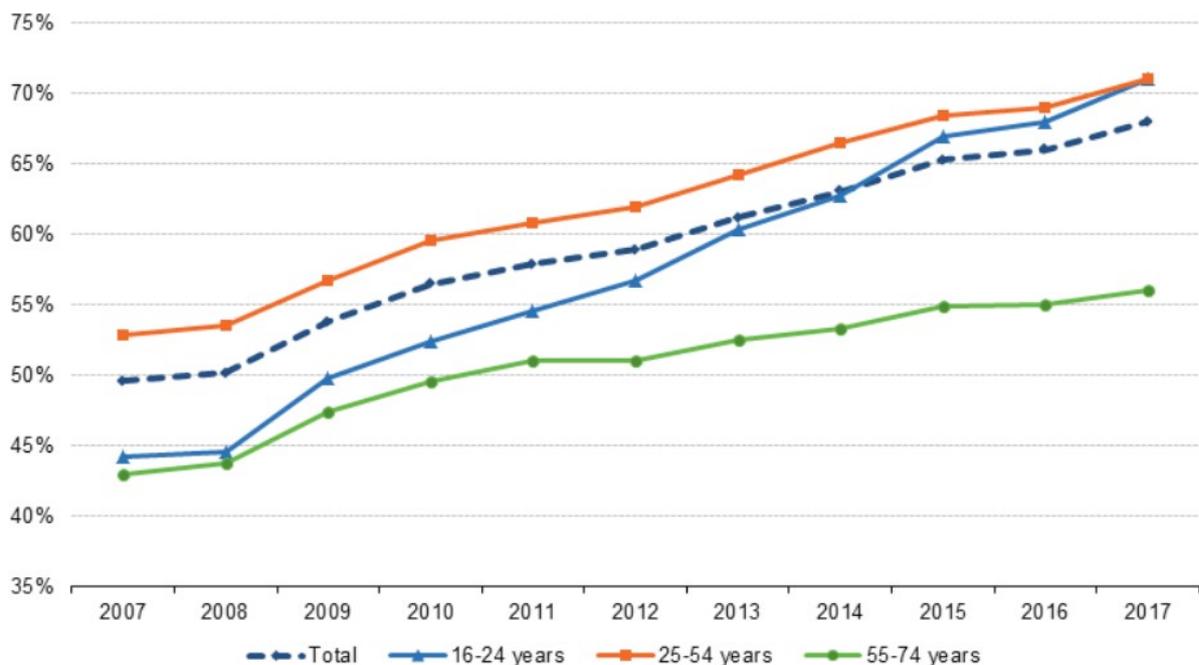


Figure 2. E-commerce Statistic for Individual

Figure 3 explains the graphics of 60% users aged 16 to 74 had made online transactions in a year. It was because of the shopping convenience, variety of products, budget comparison, and reading products reviews. These factors had raised the customer trust in using e-commerce. In 2008 to 2018, e-commerce has been increasing for 28% in adolescents aged 16-24 years. In a year in Europe, there had been transaction of orders and purchases by internet users in the UK for 87%, Netherlands for 84%, Denmark for 86%, and in Germany 82% [9].

Internet use and online purchases, 2018 (% of individuals)

	Proportion of individuals who:	
	Used internet within the last 12 months	Purchased online within the last 12 months
EU-28	87	60
Belgium	90	61
Bulgaria	67	21
Czechia	87	59
Denmark	98	84
Germany	93	77
Estonia	90	61
Ireland	84	59
Greece	73	36
Spain	87	53
France	89	67
Croatia	76	35
Italy	77	36
Cyprus	85	32
Latvia	85	45
Lithuania	81	43
Luxembourg (*)	97	72
Hungary	79	41
Malta	82	54
Netherlands	95	80
Austria	88	60
Poland	79	48
Portugal	75	37
Romania	77	20
Slovenia	81	51
Slovakia	83	59
Finland	95	70
Sweden	93	78
United Kingdom	95	83
Iceland	99	75
Norway	98	79
Montenegro	74	12
Former Yugoslav Republic of Macedonia	81	25
Serbia	75	35
Turkey	72	25

(*): Luxembourg: break in series
 Source: Eurostat (online data codes: isoc_ci_ifp_iu and isoc_ec_ibuy)



Figure 3. Internet use and Online Purchases

The previous study on the frequency of visiting e-commerce website showed 45.45% of respondents visited it every week, 9.09% of them visited it every day, 27% of them visited it every month, and 18.18% of them never visited it (Figure 4) [9].

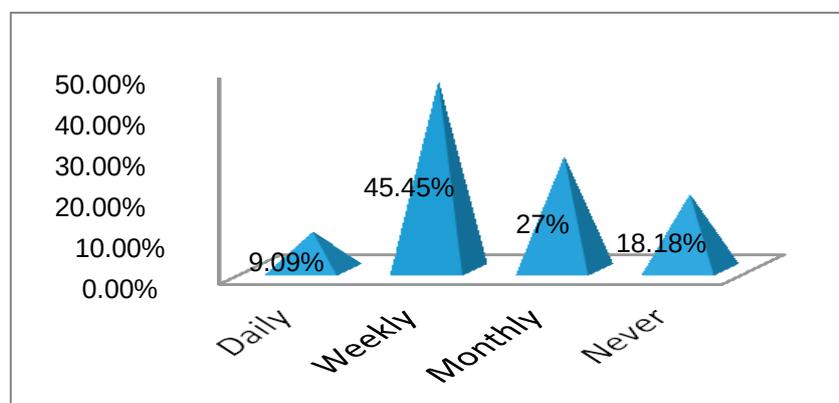


Figure 4. Percentage of people depending upon their usage of site [8].

The number of orders via e-commerce in urban areas had increased. That was because convenience and efficiency of it. In 2015, there were 18 million online shoppers in Indonesia. Transaction through e-commerce enabled the users to buy product without having to come to the store, and this encouraged people to shop using e-commerce [10].

Small companies and SMEs in developing countries began to advance because they were helped by the e-commerce. The role of e-commerce for SMEs in developing countries was very helpful. Besides the increase of company productivity or UKM, e-commerce could also expand the SME market and be able to compete in the international market. In China, e-commerce had increased by 120% per year over the past 10 years [11,12]. From the results of the study, there were several effects of e-commerce on small companies:

- Products or services was promoted in real time and interactively.
- Customers received good service because they were served responsively which resulted in customer loyalty.
- Easy transaction process with electronic transactions.
- Expanding marketing would certainly bring in many customers.

To achieve the victory, there needs to be a concept to create advantageous customer relationship by providing decent online services so they want to go back to shopping at the store again. Figure 5 explains things that affect the success of e-commerce.

- *Selection and Value* leads to the value of products and attractive prices, as well as satisfaction with the product after being purchased.
- *Performance and service* relates to customer service satisfaction in terms of shopping and shipping experience.
- *Advertising and incentives* promote products or services and provide promotions that attract customers.
- *Personal attention* means interactive services with customers.
- *Community relationship* means better relationships with customers through media forums and on social media.
- *Security and reliability* mean the transactions security must be trustworthy [13].

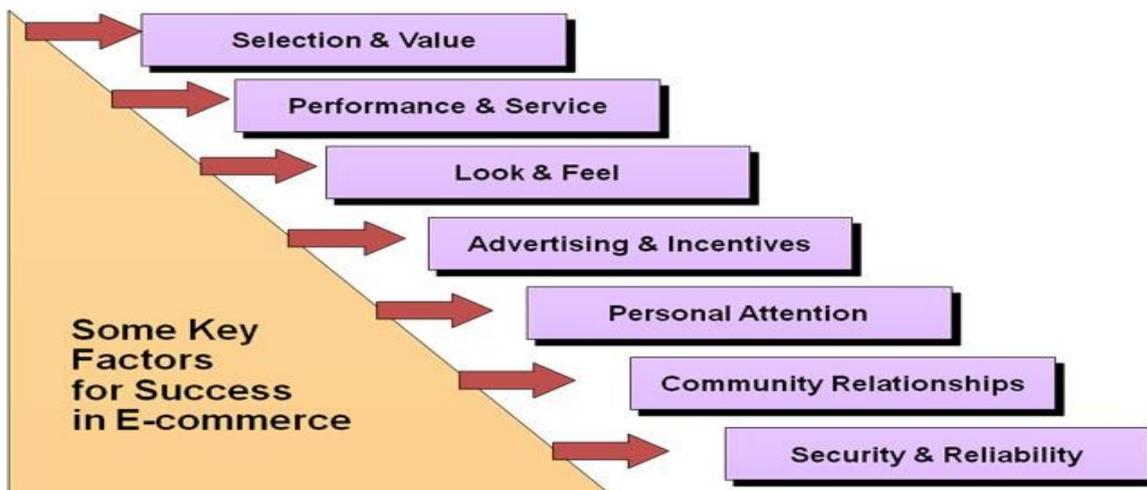


Figure 5. E-commerce Success Factors [14]

4. Conclusion

It can be concluded that the impact of e-commerce on small companies can increase the productivity of a company. Small companies can develop if they use information technology in their business processes. Data has shown that almost everyone has used internet services so that an entrepreneur must be able to take advantage of this moment. E-commerce is the right answer to be a strategy so that business continues to grow.

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