

International Business of Indonesian Digital Entrepreneurs with Local Context in Their Products

Zein Nidaulhaq Firdaus, Rifqah Sajidah, Stanijuanita Marantika, Izza Firdausi

Abstract— In International Business, the actors who own the company and produce products, whether goods or services, can directly export it to their customers in other countries. Along with the development of Information and Communication Technology (ICT) are greatly improved, where all aspects of life touch the digitalization, included International Business.

Briefly, the business on the basis of the technology commonly called the Digital Entrepreneur - included a term start-up or e-commerce- has increased each year. Likewise in Indonesia, often the founders of digital entrepreneurs are among youth. This paper examines two questions: (1) how the Indonesian Digital Entrepreneur is bringing local context into products and bringing it into the international sphere. (2) The advantages and disadvantages of what is perceived by digital entrepreneur, such as a less barrier. In practice, the researchers use interviews method to the key actors of this research and study of literature from a wide variety of journals and websites that discuss related topics.

The actors of Indonesian Digital Entrepreneur discussed in this paper are MATOA that introduce the Matoa timber from Papua through high-quality watches, also SCHORS.ID which makes the cork oak bark as the main ingredient of manufacture purses and CALLUS MAHANATA makes bags with Indonesia typical pattern. It is a form of introduction of a good commodity and Indonesian culture to the world, although the actors involved are between the people in each country, but it could be the Indonesia's representative, because the founder still as a citizen of Indonesia. In addition, the preliminary result of the study revealed with a growing market, and smaller obstacles, then the sale obtained would be even higher and comparable with the profit will be.

Keywords—International Business, Digital Entrepreneur, Indonesia Local Contexts.

I. INTRODUCTION

There is an increase in today's society for marketing their products, not only domestically but internationally. This fact is also including the businesses owner from Indonesia. Technology advancement gives the business owner the perfect tool which can be utilized for their marketing and making them called as Digital Entrepreneur. Digital Entrepreneur can briefly define as businesses that utilize Information and Communication Technology (ICT). However, the broader market one can reach the more stringent of competition they

face. Therefore in the face of competition in the global sphere, the actors are required to have their own innovations have to make their products competitive enough. For this reason, there are some questions that will be discussed in this paper into two parts, which is (1) how the Indonesia digital entrepreneurs in bringing local knowledge into their products and market it into the international sphere. (2) The advantages and disadvantages of what is perceived by the digital entrepreneur. Where in one of the advantages of it is a minimum barrier.

This paper is divided into several parts; the first part will try to give an explanation regarding the relationship between ICT, the competition in business, and the technology infrastructure which is supported by the state. The second part we will briefly discuss International Business as a study, which this paper is based upon. Furthermore, at the end of this paper, we will discuss how digital entrepreneur works and compete, also what are their advantages and constraint in maintaining their business.

II. ICT AND E-COMMERCE RECENTLY CONDITIONS IN INDONESIA

ICT shortly defined as the use of technology as a medium or media for people to be more easily communicated with each other. ICT is used in various fields such as in economy, politics, military and culture. Particularly in Indonesia, the internet and electronic user have a sizeable amount. By the end of 2013, the records of internet users has reached 71.19 million people and 82 million people in mid-2014, which is about 28% of the total population in Indonesia. Usage of the internet for searching goods or services amounted to 77.81%, in line with the BPS survey that says that 75% of businesses in this year already use a computer (TI Daily, 2014). The Minister of Communication and Information, Rudiantara, officially launched the Palapa Ring project in Batam, Riau Islands with the aim to further improve access to information for all communities in Indonesia (Kemenristekdikti, 2016). In global viewpoint, the world has also experienced the same thing in the increased use of the internet, with Asia as the number one for the most internet users in the world. As for penetration netter still occupied countries of the United States and Canada in figure 73.1%. The internet users in Asia mostly uses their internet within the realm of economic activity, so it is not surprising Asia can be seen as a market with huge potential in terms of online business, including Indonesia,

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which became a major market share (Internet World Stats, 2009).

Generally an e-commerce business does not sell their own product, but they try to broaden their market mainly by retailing other products. Besides retailing goods, some e-commerce also selling services such as plane searching or lodgings, one of the most well-known e-commerce company in the world is Amazon.com, and according to research conducted by Ystats.com, Amazon.com is the largest e-commerce company in the world by revenue in 2013, including the sale of goods or services. (YSTATS.COM, 2014).

E-commerce in Indonesia also progressed significantly by time with a wide range of services they offer. YouGov Brand Index held a research to rank the e-commerce in Indonesia within the Top Buzz Rankings category, and the result was Tokopedia, Traveloka, bukalapak, Lazada, and OLX is their top five respectively (YouGov Brand Index, 2016). Afterward, from the result of the development of e-commerce around the world, further research was held related to the number of internet users who do online shopping across the world which summarized in figure 1.3. Germany was ranked first as the country with the largest market for online commerce, based on the purchase of products by internet users in the country. China is ranked second, followed by the UK, India, South Korea, Indonesia, Poland, Turkey, Italy, and Brazil (Global Web Index, 2016).

III. INTERNATIONAL BUSINESS

The definition of international business as mentioned by Donald Efoul, is a business activity across national boundaries, not only related to trade and foreign direct investment, but included in it, the service industry, transport, tourism, retailing, house ceiling, and as well as mass communication. International business is one of the main subjects in the study of management. One of many aspects in International Business is international business environment which becomes one of the keys to distinguish it with other management studies, for example, the environment of a company operates, such as physical state, technological, social and cultural environment should be adapted (Scott, 2002: p. 21). International Management itself can be defined as a process to achieve the goal of a firms, by (1) effectively coordinate revenue and allocation, with the capability of people, financial, intellectual also the physical resources of a firms, either within or outside national boundaries, (2) effectively measures the pace of organizational goals by navigating the firms through a global environment that is not only dynamic, but also becomes a challenge to sustain the company (Rutgers).

3.1 International Marketing and Entry of Modes

An international business, certainly market their product globally. Such case can be defined as an act of international marketing. There are a variety of things that must be considered in international marketing, such as the regulations in each country, or tariffs, including in terms of culture, such as values or principles held tightly within a country, customs in the neighborhood, and culture in performing activities of daily

life, such as discipline or work ethics. If firms try to penetrate to a destination country, in international business, there is a term called Modes of Entry which is the ways how to enter foreign markets (Agarwal & Ramaswami, 1992). There are several ways available, like *exporting*, *licensing*, *joint venture*, and *sole venture*. To choose the appropriate Modes of Entry depends on several factors, which can be classified into three categories, namely **ownership advantages of a firm**, **location advantages of a market**, and **Internalization advantages of integrating transactions**¹. Therefore, there are two terms in this activity which is the Business to Customer (B2C) that is the sale of goods from the seller directly to customers, or Business to Business (B2B), the indirect sales to customers but sold to resellers with a wide range of agreement between the two.

IV. INDONESIAN DIGITAL ENTREPRENEUR

In contrast with the term e-commerce, Digital Entrepreneur is more closely related to entrepreneurship. ZDNet Article wrote an article related to the research conducted by Accenture stated the current technological developments basically provide the opportunity and the potential to create up to 10 million jobs for young entrepreneurs around the world to enter the world of 'digital entrepreneur' (Digital Commerce Institute, 2015). Somehow this fact in line with one famous quote, "every entrepreneur is now a digital entrepreneur" because it can't be denied, even in Indonesia it is rare to find entrepreneurs who are not using ICT to run their business.

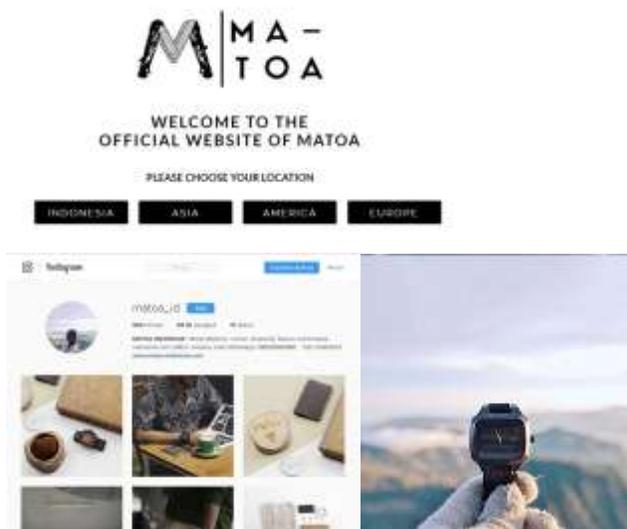
There are start-up digital entrepreneur, started his business only through social media, one of the most popular is Instagram. Instagram is the front face of this kind of business to display their product, while for the ordering process; customer contacts the store via the app WhatsApp and Line@, e-mail, or Direct Message Instagram. Once their brand starts to expand, the vendors began building websites as a major address of their company, while social media functioned as a media campaign. The method of payment and delivery of products from the online shop is also supported by online-based payment and delivery. Customers in one country can do it anywhere via e-banking, while for foreign customers, mostly utilizing a credit card through PayPal as a payment services provider company. As for the delivery of goods, Online Shop dependent on logistics services provider both public and private like DHL or FedEx, logistics companies have also been able to reach overseas shipments.

Modes of Entry that is still preferred by Digital Entrepreneur is Business to Business (B2B). There are various ways to get a distributor abroad: first, the distributor itself which asked the company to be able to sell the product in the country, second, companies are looking for a distributor in a

¹ Dunning [1977, 1980, 1988]

country as market share, by studying the regulation and culture of the country of destination in advance. However, the method Business to Customer sometimes still do, by utilizing ICT, Business to Customer will be easier to do with one of them can be done with e-commerce but profits and the quantity is not greater than B2B methods. When the market expands, competition will be intense so that even new innovations must continue to be developed. One of them is the Indonesian digital entrepreneur who brings local context as one of the innovations in selling their products. It aims to increase the interest of the customers abroad. In addition, a local context is a direct approach to introducing Indonesian art and culture to the entire world. Art and culture were introduced in a variety of products, such as jewelry, souvenirs, handbags, wallets, watches, and even clothing. Although it is not rare to see an Indonesia company who sells their product with Indonesian culture as a part of their product, but currently many emerging new companies has reached overseas markets by utilizing digital technology and carries the hallmark of Indonesia as a tool for competing, such as these following products:

A. Matoa Indonesia



Sumber: Website Matoa Indonesia (<https://www.matoa-indonesia.com/>), Instagram: @matoa_id.

If the product watches typically using a fabric or metal, Brand Matoa Indonesia from PT. Matoa Indonesia Digdaya provides different innovations, are watches with wood-based, and be the first trademarks watches timber in Indonesia. There are Indonesian Local Contexts brought by Matoa, *First*, raw materials of watches, namely ebony wood that comes from Makassar, South Sulawesi Province, Indonesia. Not only that, Matoa was trying to not damage the environment. So that their products also utilize wood waste, such as from the pieces of furniture manufacture and ordered a timber from certified and legal timber companies. *Second*, the products of these watches are not produced by the factory but utilized the hands of artisans in Indonesia, or often called golden hand or handmade products. *Third*, the names used for each type of watches, is derived from the names of islands in Indonesia. One of them is Matoa Alor being the type of the best product, as a

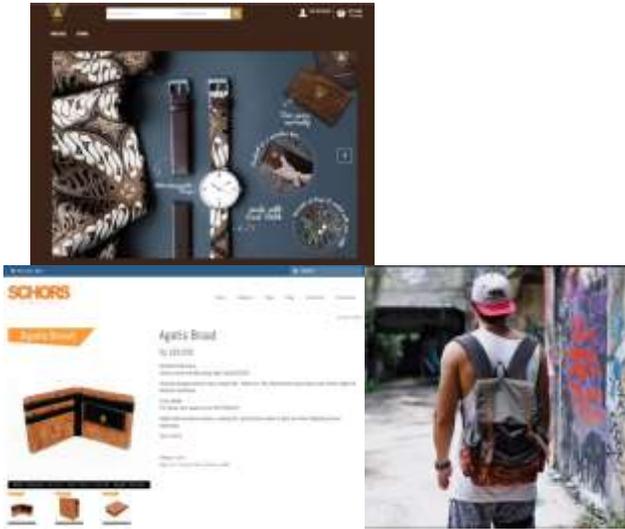
representation of the beauty and exoticism Alor Island, located in eastern Indonesia, combines minimalist design and luxury of traditional values, thus giving the impression that is difficult to surpass the exclusive global competition. Naming is also useful to introduce Indonesia to foreign customers' associated beautiful islands in Indonesia, besides Indonesia can pride them with their nature wealth also its exoticism.

Matoa have based store online by utilizing social media websites and corresponding function, either Instagram, Line@ and Whatsapp. The first time they introduce the products to the public is in an exhibition for three days in 2012, 100 pcs sold out in two days. Japan became the first country export destination Matoa through B2B method, the reseller sells its products both offline and online. The process of interaction with resellers abroad, agreement, and monitoring of sales is through online, so it runs without a hitch. After Japan, Malaysia and Singapore became next countries in Matoa opened resellers by the crowded funding method at the start of sales, due to the resellers were very cooperative and also have good sales, and then reseller in Japan, Malaysia, and Singapore became authorized resellers, or called authorized reseller of Matoa.

If the revenue between Matoa Indonesia with resellers compared, it will be more gained by the reseller. Even so, there is the official logo on the back of the watches and it makes the Brand Awareness Matoa Indonesia will be developments in line with the reseller sales. Therefore, it is not uncommon if a customer from different countries who straightly contacted Matoa to buy products with the B2C method. However, because each country has its own customs, and there are shipping charges, then Matoa and customer must work together as best as possible to be able to pass through the various regulations in the recipient country. For example, Matoa will ship the products via DHL services, with a description of a Birthday Gift, and Matoa will give a discount of 50% of the prices, but the customs charges are borne by the customer, and if the item is lost, refunds only by 50%.

The higher the sales, the marketing will be more widespread, one of them to Europe, the first step to enter the European market is learn the culture of the society, both in shopping habits to taste. In contrast to Australia, any processed wood products are not allowed in any small quantity, Europe tends to be easier to be penetrated by the existing regulations. For marketing strategy, since Europe is more likely to use Amazon.com to search for new items, then Matoa Indonesia initially create a separate website for the European market eventually switch to e-commerce sales via Amazon.com. In terms of taste, the European market prefers a relatively rounded shape and dark in color, unlike in Indonesia, which is divided into two, if women prefer light-colored and dark-colored men.

B. Others Indonesian Digital Entrepreneurs



Sumber: Website: www.wishyourwatch.com, www.schors.asia, www.callusmahanata.com

First, Watches brand, **Wish Your Watch** carry the theme of Batik as one of the cultural heritage originated from Indonesia. Tagline #proudfobatik listed on the main page of the website, as a form of recognition of batik to the world. In the website explained that Batik is one hue and pattern of Indonesian culture, and has become a fashion Icon Indonesia. Making Batik pattern also has its own way than the existing pattern on cloth fabric. Typically, batik pattern is made by handmade by the craftsmen of batik in Indonesia, that's what makes batik as a unique pattern. Batik artisans spread across Indonesia, making batik pattern also varies according to the region who produce it.

Second, other wood-based products are brand **Schors**, the company is utilizing the bark of cork oak tree as the base material for its products, that Men Wallet as the main products, Pouch, Handbag, hats, and accessories such as gadgets and pencil cases. The products of this Schors.asia have a variety of advantages, which based on the bark of quality, and because the bark can be harvested without cutting down the tree so it is certainly eco-friendly because it does not damage the environment. The unique design and distinctive texture become an innovation that can really compete with other products. The process of making handmade was done in order to produce a quality product.

Third, **Callus Mahanata** is a brand from bag products originating from Bali, Indonesia. This brand brings the typical patterns Indonesia as a way to introduce art and culture of Indonesia in its products that have been marketed to overseas. In addition, the account Instagram (@callusmahanata), brings the theme of the natural beauty of Indonesia, especially the natural beauty of Bali province, which is famous worldwide as the area has beautiful beaches exotic, and Bali are the destinations most often used as a honeymoon for newly married couples.

V. ADVANTAGES AND DISADVANTAGES

The main advantage for digital entrepreneurs in overseas sales is divided into two sides; there are products sales and marketing. If the export of products made by the method of business to customer (B2C), the benefit is in the form of tariffs or the rules relating to the inclusion of certain products may be easily bypassed, provided it does not violate the rule and not the illegal products. Similarly, if using the method of business to business (B2B) sales will be more easily increased because the demand a high quantity from resellers in the countries concerned. As for marketing, the advantage clearly that the market area is unlimited if the entrepreneur can digitally understand how to penetrate the market in other countries, both in terms of culture or taste, then the area of marketing is not only in the country of Indonesia but also the whole world. In addition, also in cooperation with resellers in implementing marketing strategies and promotional strategies in the countries concerned in order to increase sales and brand awareness.

While the disadvantage of export, is a very tight competition, with similar products and regulations in certain countries. One of the main things in a business is innovation, in response to competition. The more businesses in similar products, the higher the level of competition is created, therefore it must be the digital entrepreneur has its own characteristics and also innovations that continues to grow every time so that its existence is not indelible. In addition, often in export and import activities of products to meet administrative obstacles in the form of individual countries, such as customs duties or tariff product feasibility, even the culture, and tastes of the people can be an indicator, then, in the end it's not all markets in the world can be entered.

VI. CONCLUSION

Along with the development of science, one of which is the Information and Communication Technology. The benefit can be felt by the business to run its business. Countries also took part in this development to promote the country's economic sectors, including Indonesia. Digital Entrepreneur in Indonesia is rampant presenting their best products, with the characteristic of each as one of the innovations that helped to win the competition, even the marketing, and sales of its products had already penetrated foreign markets, with the method Business to Customer or Business to Business. Watch Your Wish, Matoa, Schors, and Callus Mahanata are the example of Digital Entrepreneur Indonesia, they are not only selling products, but also introduce Indonesia in terms of art and culture through its products. They make use of information and communication technology as well as possible so that a wide range of benefits such as sales and brand awareness more easier to get than the usual difficulties faced by an international business, such as in terms of modes of entry into a country or international marketing of its products. They utilize information and communication technology as well as possible, so that a wide range of facilities and benefits such as sales and brand awareness more easily obtained, and it is easier to face the difficulties commonly faced by an international business, such as in terms of modes of entry into

a country or marketing of products.

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