

**DO REALLY SOCIAL COMMERCE CREATING FOR COMPETITIVE  
ADVANTAGE ON SMALL MEDIUM ENTERPRISES (SMEs) BUSINESS  
PERFORMANCE?: EVIDENCE FROM JAMBI, INDONESIA**

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**Abstract**

*The aim this research is to examines-commerce influence on competitive advantage and the performance of business small and medium enterprises, in Jambi city. The data were collected by a survey with using questionnaires given to 40 small and medium enterprises in the Jambi City. The data were analyzed by using partial least squares path modeling. The results of path analysis statistics show that s-commerce significantly influence competitive advantage, however, there is no significant effect on business performance. Meanwhile, the competitive advantage a significant effect on business performance. The research revealed that the indirect effect of competitive advantage may mediate the effect of s-commerce to business performance. The study finding has implications for efforts to improve business performance through the utilization of social media, the level of better quality, it is expected that the management of the company to equip skills to the admin (administrator) of social media companies in the form of training; (1) marketing communications content writing skills, (2) social strategy application skills in creating social impact to customers, (3) and social customer relationship management (SCRM) skills.*

**Keywords:** S-Commerce, competitive advantage, SMEs business performance

**Introduction**

The development of internet access is increasingly cheap and easy, able to increase the number of internet users in Indonesia. According to We Are Social report, there is an increase in internet users in Indonesia for a year, from January 2015 to January 2016, which is about 15 percent. Business activities used to be centered only on conventional business, but since the existence of internet experiencing the development become online. This proves that the internet also provides changes to the business model. Previously transactions can only be done by face to face, but now is very easy and often done through the internet with the number of on-line store. Internet transactions are known as electronic commerce (e-commerce).

Some research findings found that the use of e-commerce has significantly increased effectiveness in increasing sales volume and promoting industrial products with high enough. (Agha, S.et.al, 2012). E-commerce today has evolved by adopting web 2.0 that has the capability of increasing customer participation and increasing economic value. The development of social media and web 2.0 technologies provides a great opportunity to transform the e-commerce model business from a product-oriented environment to a social and customer-oriented (Wigand et.al. 2008). Considering today's consumers are increasingly demanding the existence of online application-based services on commercial sites to be able to interact more socially and interactively (Huang & Benyoucef, 2013).

According to *We Are Social Digital, and Mobile report* of 2016 revealed that the findings related to the use of social media chat application platform in Indonesia increased. The number of active Internet users is around 88.1 million, directly proportional to the current number of social media users. *We are Social* report explained; there are about 79 million active users of social media in Indonesia.

Meanwhile, compared with the total population, there are about 30 percent of Indonesians who become active users of social media. Referring to the data of social media users in Indonesia, shows that the use of s-commerce is very potential in supporting the commerce process and the process of creating competitive advantage for small and medium enterprises (SMEs) in Indonesia, considering micro, small and medium enterprises (UMKM) is one area which contributed significantly to push ahead of economic growth in Indonesia.

In Jambi Province, there were 81,959 MSMEs, with Jambi City as the city with the largest number of MSMEs, 13,723 businesses (SMEs Administration of Jambi Province, 2015). The business consists of Micro, Small and Medium. They are distinguished on the basis of capital and assets, of which the Micro Rp 0 - Rp 50 million, Small Rp 50 - Rp 500 million and Medium Rp 500 million - Rp 10 billion.

Based on the preliminary survey, there are 40 SMEs who use social media actively in their trading activities, with the composition of business group consisting of small business by 34 businesses (85%) and medium enterprises (6) (15%). However, this explains that the social media use into commercial activities (s-commerce) in SMEs is low. This is of course a special concern, given the low perceptions of most SME owners in the city of Jambi toward the use of s-commerce for the progress of their business. Therefore, an empirical study is needed to reveal the extent to which the influence of s-commerce's use on competitive advantage and business performance of SMEs, in order to obtain a real picture of the contribution of s-commerce use benefits to SMEs in Jambi City.

### **S-Commerce Utilization on Competitive Advantages**

Simpson and Docherty (2004) said that factors that encourage business players to utilize s-commerce include: improving business competitiveness, more open communication in trade, greater opportunities in business innovation, and other benefits of IT utilization, increased sales and others. Then the factors that encourage the utilization of s-commerce to achieve competitive advantage can be measured using indicators; Price, quality, delivery dependability, product innovation, and time to market (Li et al, 2006). So, hypothesis development as follow:

**H1= S-Commerce utilization has positive effect on competitive advantages.**

### **Competitive Advantage on Business Performance of SMEs**

Competitive advantage can be obtained from the ability of the company to manage and utilize the resources and capital their owned. Companies that are able to create competitive advantage will have the strength to compete with other companies because the product will still have the power to compete with other companies because the product will remain interested customers. Li (2006) research results that found a positive influence between competitive advantage with the measured performance through sales volume, profit levels, market share, and return on investment.

Similar research results were also found by Istanto (2010) where the strategy of competitive advantage had an effect on the performance of Multipurpose Cooperative in Sleman district, meaning that the competitive strategy will improve the performance of Multipurpose Cooperative in Sleman regency. Several previous studies by Ragu-Nathan & Rao (in Li, 2006), Majeed (2011), Nguyen, Sherif, & Newby (2007), Alipour & Mohammadi (2011), Barney (1991), and Agha (2012) also concluded that there is an influence between the company's competitive advantage with the company's performance. Next, hypothesis development as follow:

**H2= Competitive Advantage has positive effect on Business Performance of SMEs**

### **Utilization of S-Commerce on Business Performance of SMEs**

According to Castronovo (Permana, 2014) trade activities mediated by social media, can have an impact on the company's performance of business owners. This is because through the use of social media, they can predict consumer purchasing behavior that will come more accurately, increase post brand popularity, attract new customers, build awareness, increase sales, and build loyalty. Utilization of s-commerce through social media in SMEs provides benefits such as personal contact with consumers, useful as a means of promotion / advertising, to record consumer needs, deliver a response to the consumer and as a basis for business decision making. In addition, social media is also useful as an online discussion forum, monitoring customers online, surveying customers, listing supplier needs, listing supplier needs and displaying product galleries (Priambada 2015)., So, next there are hypothesis development as bellow:

**H3= S-commerce utilization has positive effect on Business Performance of SMEs**

**H4= Competitive advantage mediates s-commerce towards business performance of SMEs**

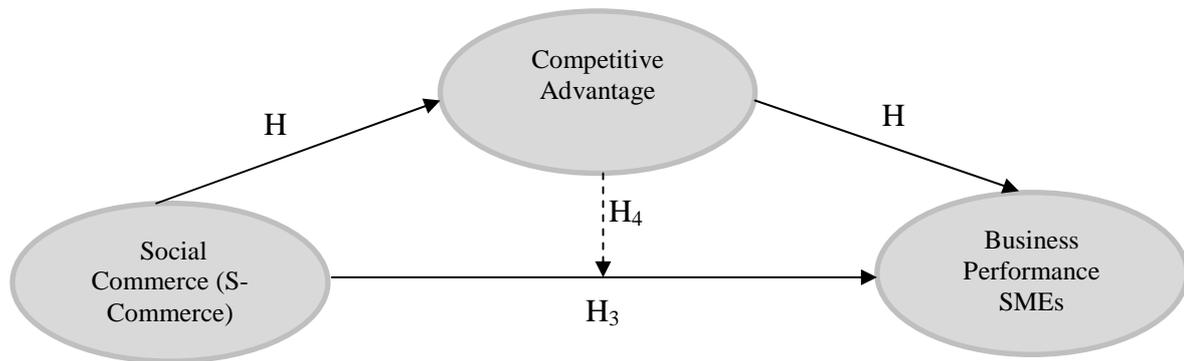


Fig. 1. Research Framework

Legend:

- = Direct relation
- - -> = Indirect relation

## Research Method

### Population and Sample

The population of this study is the SMEs located in Jambi City that registered in the Office of Industry and Trade of Jambi City, with the number of SMEs of 2,119. The sampling in this research using purposive sampling technique is sample determination with certain consideration, where the consideration used is SMEs that use s-commerce in Jambi City who have made transactions through social media in the last 1-3 tahun. Based on the data obtained, there are 40 SMEs in Jambi City using s-commerce. Thus the number of SME samples used in this study was 40 SMEs.

### Data analysis

Data analysis techniques used are quantitative data analysis techniques, namely the analysis used to test the relationship or the influence of s-commerce term use to SME business performance mediated by competitive advantage. The instrument used in this study is a questionnaire with Likert scale format. Likert scale is used to measure the attitude, opinion, and perception of a person or group of social phenomena which is anchored 5 points. Alternative answer begins with a score of 1 which means strongly disagree s / d score 5 which means strongly agree.

Data were analyzed using Partial Least Square (PLS), which is a powerful analytical method because it can be applied to any data scale, does not require many assumptions and the sample size should not be large (Jaya, 2008). PLS can also be used to build relationships that have no theoretical basis or for testing propositions, and are used for structural modeling with reflective or formative indicators. The data analysis in this research is assisted by Smart PLS 3.0 software.

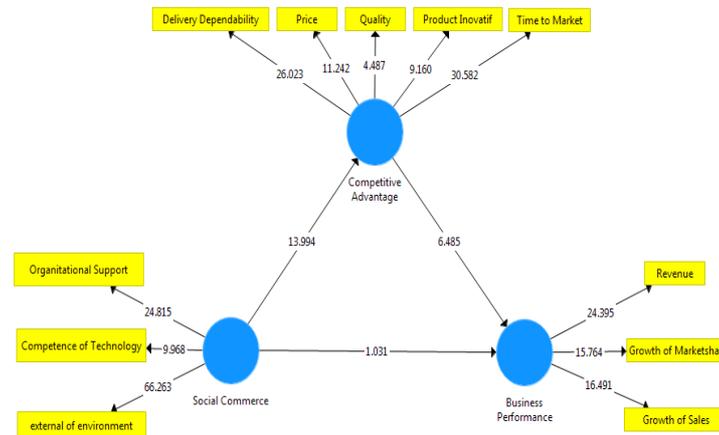
## Result and Discussion

### Outer Model Evaluation Results

The Outer Model or measurement model is measured by 4 criteria, namely average variance extracted, convergent validity, discriminate validity and internal consistency reliability (composite reliability and cronbach alpha). For measurement of convergent validity & discriminate validity reflective indicator that is based on cross loading, as contained in attachment 1. Based on result of data processing hence calculation to all variable yield value of Cronbach's Alpha is > 0,7, Composite Reliability value > 0,8, and value from Average Variance Extracted (AVE) is > 0.5 means that all variables are reliable.

### Inner Model Evaluation Results (Hypothesis Testing)

Testing this hypothesis aims to see the significance of the influence between s-commerce and competitive advantage of business performance at the level of significance  $\alpha = 0.5\%$  (0.05). Based on the results of inner model test (Structural Model) through SmartPLS 3.0 obtained results as in the following figure



Source: Result of the PLS.21

Fig. 2 Inner Model Evaluation

Base on the calculation of inner model that value of influence between competitive advantage to business performance is greater than the value of the influence of s-commerce on business performance, namely the competitive advantage to business performance got value 6.443 while s-commerce to business performance 1.017. So from the explanation of the data can be concluded that the competitive advantage is more influential on business performance than on s-commerce to business performance. The following test results of significance obtained from the table path coefficients as follows.

Table 1. Path Coefficients Testing

	Original Sample	Sample Mean	Standard Error	t-statistic	P Value
Competitive Advantage→ Business Performance	0,802	0,831	0,120	6,667	0,000
Social commerce → Competitive Advantage	0,878	0,867	0,066	13,331	0,000
Social commerce→ Business Performance	0,148	0,104	0,143	1,040	0,149
Social commerce and Competitive Advantage → Business Performance	0,771	0,758	0,106	10,279	0,000

Source: Data Processing of SmartPLS 3.0

Based on Table 1 testing the effect of competitive advantage on business performance resulted in a parameter coefficient of 0.802 and statistical value of 6.667 (> 1.684) with significance level (p-value) = 0,000 (<0.05). These results indicate that the effect of competitive advantage on business performance is positive and significant, and then H1 accepted which means that competitive advantage affects business performance. The test of influence between s-commerce on competitive advantage yielded parameter coefficient 0,878 and statistic t value 13,331 (> 1,684) with significance level (p-value) = 0,000 (<0, 05).

These results show that the influence of s-commerce on competitive advantage is positive and significant, and then H2 is accepted which means that s-commerce has an effect on competitive advantage. The test of the influence of s-commerce on business performance resulted in the parameter coefficient of 0.148 and the statistical value t of 1.040 (> 1.684) with the significance level (p-value) = 0.155 (> 0.05).

These results indicate that the inter-commerce influence on business performance is positive, but not significant, then H3 is rejected, which means that s-commerce has no effect on business performance. The test of the influence of s-commerce on business performance mediated by competitive advantage resulted in 0.771 parameter coefficient of statistical t value of 7,135 (> 1,684) with significance level (p-value) = 0,000 (> 0, 05).

These results indicate that the effect of s-commerce on business performance mediated by competitive advantage is positive and significant, which means the acceptance of H4 that competitive advantage can mediate the influence between s-commerce the business performance.

### **Effect of S-Commerce on Business Performance of SMEs**

Utilization of s-commerce through social media on SMEs is based on the ability of social media in building a network of friends to be interested in the brand, logo, and sound of a SME product. This effect is what consumers want (friend) to convey brand messages, pictures, logos to everyone (friends) in their network, including potential customers may not have complete information about products or services, and those who want to learn from other consumers first Using SME products. In addition, human psychology shows that people are interested in having what their friends have, whether they need it or not. Viewing products or hearing about a product that SMEs inform in their friendship network can generate social media users' need to shop / use the SME product.

The results of this study indicate that commerce does not directly affect the performance of SMEs business. The results of this study are different from the results of research obtained by Priambada (2015), where the use of social media is strongly correlated with the performance of SMEs business, especially in the aspect of increased sales volume. According to Castronovo Permana, (2014) trade activities mediated by social media, can have an impact on the company's performance of business owners. This is because through the use of social media, they can predict consumer purchasing behavior that will come more accurately, increase post brand popularity, attract new customers, build awareness, increase sales, and build loyalty.

However, the success of the impact of the use of social media on the performance of a business is not only a result of social media used by business people, but there are several supporting factors that contribute in the influence between s-commerce on business performance, namely; (1) trust, (2) human resource competence, (3) business content, (4) quality of social media web, (5) behavioral intention and social use behavior, (6) , And (7) social media selling index. This explains that despite the existence of organizational support, adequate technological competence, and the encouragement and demands of the external environment on the use of social media, it has not contributed sufficiently to the performance of SMEs in Jambi, if unsupported by the seven supporting factors in their the s -commerce

### **The Effect of Competitive Advantage on Business Performance of SMEs**

Competitive advantage can be obtained from the ability of the company to manage and utilize the resources and capital that their owned. Companies that are able to create competitive advantage will have the power to compete with other companies because the product will still have the power to compete with other companies because the product will remain in demand by customers. The result of the research shows that competitive advantages significantly influence the performance of SME business.

The results of this study are in line with the results of research Li (2006) who found a positive influence between competitive advantages with performance measured through sales volume, profit rate, market share, and return on investment. Similar research results were also found by Istanto (2010) where the strategy of competitive advantage had an effect on the performance of Multipurpose Cooperative in Sleman district, meaning that the competitive strategy will improve the performance of Multipurpose Cooperative in Sleman regency.

Several previous studies by Ragu-Nathan & Rao (in Li, 2006), Majeed (2011), Nguyen, Sherif, & Newby (2007), Alipour & Mohammadi (2011), Barney (1991), and Agha (2012) Also concluded that there is an influence between the company's competitive advantage with the company's performance. In this study found that there is a positive influence which means if the competitive advantage of a company is higher than it will impact on improving company performance. For example, if the company has competitive advantage in the price aspect, for example the price offered is cheaper than the competitors, then Customers will be more interested in using the services offered by the company compared to competitors so that the company is able to reach the target market share either profit target has been determined.

### **The Effect of Social Commerce on the Competitive Advantage**

The utilization of social media in s-commerce conducted by SMEs in Jambi City is aimed at achieving competitive advantage that focuses on the customers. To achieve these goals, through the utilization of social media, employers must know who their customers are, what customers want, how their customers' needs are satisfied and other related factors. The information is basically used not only to create competitive advantage, but also customer satisfaction as well as long-term relationships that are a necessary condition for the success and sustainability of their business.

The results obtained show that s-commerce has a significant effect on the competitiveness of SMEs Jambi City. The results of this study prove that the s-commerce applied SMEs Jambi City able to create competitive advantage SMEs themselves. Several previous studies have also found evidence that there is an influence between the applications of s-commerce combined with CRM through the utilization of social media with the

achievement of competitive advantage. Alipour & Mohammadi (2011) in his research concluded that s-commerce combined with CRM is very effective in order to achieve competitive advantage.

This relationship is reinforced by the results of research Nguyen, Sherif, & Newby (2007) who said that the implementation of s-commerce base on CRM appropriate to improve the company's ability in achieving the company's goal of maintaining customers and achieve competitive advantage over competitors.

#### **Competitive Advantage as S-Commerce Mediation on Business Performance of SMEs**

In order to improve the competitiveness of SMEs as well as to obtain export opportunities and other business opportunities one way or strategy that can be used is to utilize the development of Information and Communication Technology (ICT). Utilization of ICT is widely used is s-commerce. Therefore, when competitive advantage can create entrepreneur spirit then they will use anytings to improve business performance that they do. The results obtained show that competitive advantage is able to mediate the influence of s-commerce to business performance.

D'Aveni (1994) in Syafar (2004) states that competitive advantage is basically something that is dynamic, and cannot be maintained. This is because today's competition and future competition must be viewed as a competition with high dynamics and not static and thus require the right strategy. The point of departure from the previous explanation of the benefits the company derives when they use s-commerce into trade transactions one of the company's ability to reduce operational costs so that this is one source of competitive advantage that can be created by the company.

So by emphasizing competitive advantage, SMEs will use their ideal information resources for the development of effective and efficient corporate strategy so that s-commerce is one solution from it all, which will improve business performance by SMEs.

#### **Conclusion**

Based on the research result, it can be concluded that S-commerce has no significant effect on the performance of SMEs business. Competitive advantage positively and significantly influence the business performance of SMEs, S-commerce has a positive and significant impact on competitiveness of SMEs, In mediating the influence of s-commerce on business performance of SMEs, where there is an indirect effect of competitive advantage over the influence between s-commerce and SME business performance.

The results of this study is expected to be used as a consideration for the management and owners of SMEs which is to create competitive advantage and achieve superior corporate performance hence required appropriate social marketing strategies, selective social media election, and make social media as the spearhead of marketing communications .

#### **Limitations and future research**

Although the findings of this study contribute to the understanding of social commerce in term of creating for competitive advantage on small medium enterprises (SMEs) business performance in Jambi, Indonesia empirically, there are still some limitations in this study. First, we conducted a convenience sampling method for only SMEs in Jambi City. That is, the sample did not include SMEs all of Jambi Regency. Therefore, the findings may not be generalized to all SMEs in Jambi, Indonesia. Future research can collect information from samples representing a more diverse profile of SMEs to generalize the results of this study. Second, the current study only focused on the relationships between social commerce, competitive advantage, and business performance.

For a more comprehensive view of SMEs business performance, variables such as organizational support, technology competencies, or external environment should be taken into consideration in future research. Finally, due to the large number of Indonesia people using social media, future research may investigate how Indonesian customers using social media for online shopping as increasing of SME business performance.

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