

# ***Chapter I***

## ***Introduction***

### **1.1 Background**

Companies can use open communication provided by social media to better understand their consumers' demands and respond proactively and efficiently to those needs (Wardati and Er 2019). This is why social media has become one of the most tools that have been using by the business. It has have been the most powerful tool in creating linkage among the people.

This day, social media can be one of the tools as the starter for business and become one of the revolutionary Internet-related technology that has arisen in the last few years decades. Practically social media can be a billboard for the firm's commercial goals and better business performance (Fraccastoro, Gabrielsson, and Pullins 2020).

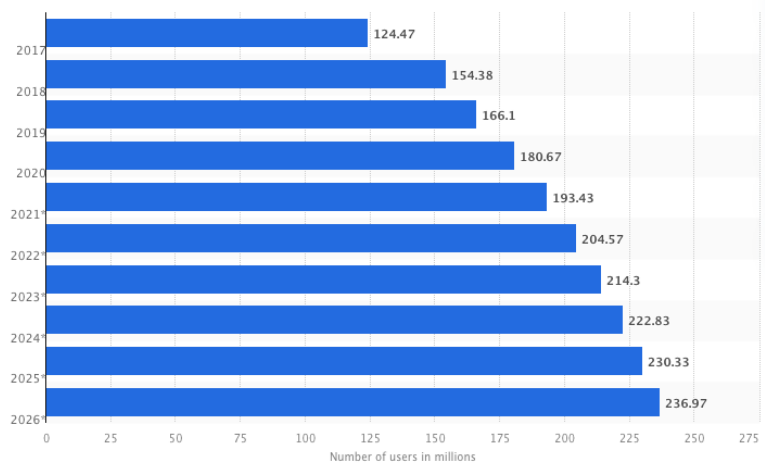
J.H. Kietzmann said social media enables content dissemination between customers and firms. However, Social media is also an internet mobile technology that allows individuals and groups to share, co-create, discuss, and change user-generated material on highly interactive platforms. (Venciūtė 2018)

According to the Napoleon Cat, the number of social media user today continuously increasing each and every year (Picture 1.1). Not only the number of users, but also the number of different types of social media platforms continues to rise. According to the data reportal, the number of social media user in Indonesia increased 12,6% between 2021 and 2022<sup>1</sup>. It is mean every year there is a lot new people using social media because after all, people using it not only for personal life but also for business.

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<sup>1</sup> Source : <https://datareportal.com/reports/digital-2022-indonesia>

Social media has become an integral element of everyday life for communicating and sharing information. This made it easier for businesses to analyse people's behaviours, and social media became necessary for businesses to contact their target audience who were also engaged on social media for similar issues. Individual preferences can be determined by collecting data on user behaviours patterns.



**Picture 1.1 (source: Statista)<sup>2</sup>**

Operations have long considered social media to be an efficient medium for connecting with a large number of potential customers and disseminating information about their businesses (Tajvidi and Karami 2021). The growth of online communities has increased the interconnection of businesses and customers while also allowing for faster international communication. Brand positioning, brand awareness, customer loyalty, and purchasing decisions are all influenced by social media. The majority of businesses today use social media to improve their brand image and recognition. (Tajvidi and Karami 2021)

SMEs (Small and Medium Enterprises) would be able to realize their aspirations of marketing their products, brands, or services more quickly and widely as a result of the growth and various social media usage. In Indonesia,

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<sup>2</sup> Source : <https://www.statista.com/statistics/247938/number-of-social-network-users-in-indonesia/>

SMEs are a dominant form of business entities in Indonesia with 99% representative from the total number of enterprise in Indonesia, 97% employment but only 57% that adds value.

SMEs characteristics have differentiated SMEs from other firms. The benefits of a company's participation in social media include increased brand value, revenue growth, e-commerce, social commerce customer trust, stickiness innovation and new product creation, expertise, and others. While for SMEs, social media can increase their business performance and create value for them regarding internal operations, marketing, customer service, and sales (Tajvidi and Karami 2021)

The quantity of SMEs is greater than that large businesses or firms, but in term of competitiveness, SMEs are still very weak (Sungkawati 2021). As globalization and high competition, it is important to empower SMEs which are important in facing global challenges, such as innovating and be more creatively (creative economy) in term of improving products or services produced, developing human resources and technology and expanding their market area.

Existence of SMEs need supported by the creativity of the actors, which is commonly known as the creative economy. The creative economy is an industry that utilizing skills possessed by individuals to improving their welfare and employment. The creative economy aims to take advantage of the creativity and creativity as capitalization of intellectuals (creativity), ideas, ideas that can be developed or enchanted into copyrights, brand patents, or designs. (Sungkawati 2021).

Creativity encourages people to take ownership of their own progress and encourages them to try new things. Innovation and creativity have become critical components of development plans. However, in this thesis, the term "creativity" will refer to the creative economy. The word "creative economics" comes from the term "creative industries," which was previously referred to as "culture industries."

The creative economy's concepts are drawn from the innovation notion and the combined creativity of Creative Industries. The idea of creativity becoming an asset has been part of economic policies since the 1990s and evoked variety of new term such as such as the “creative sector”, “copyright industries”, “content industries”, “experience economy”, “creative business sector”, “art centric business”, “cultural and communication industries”, “media industries” and “knowledge economies” (Moore 2014).

The creative economy is a knowledge-based economy that relies on individual creativity and skill to contribute to the development of inclusive societies. Creative economy encompasses a wide range of activities thirteen sectors (advertising, architecture, the art and antiques market, crafts, design, designer fashion, film, leisure software, music, the performing arts, publishing, software, and television and radio); all of these activities using all their creative assets in the form of intellectual property (Andres and Round 2015).

When it comes to growth, new job creation, export potential, and earnings, the creative economy has emerged as one of the most important sectors in the global economy. We come into contact with the creative economy on a regular basis, for example, in the performing arts, movies, music, publishing, and so on. Their contribution, however, is not recognized. There are numerous hurdles facing this sector's development, all of which are tied to issues about our ability to adapt to globalisation and the digital revolution. (Dessein et al. 2015).

There is one of creative economy that rarely get the spotlight in a research, it is Florist industries. Florist is a job that need creativity on their flower arrangement. Is essential for them to have their own colour and touch while they make the flower bouquet. But this industries, not get much attention as people think that florist its just a flower shop. What people don't know, florist not only just about arrange the flower with a beautiful wrap.

Inside, there is so much thing happening in florist business industries. From how they learn to a arrange the bouquet, buy the flower, how to promote

their business, and how to find they branding themself as a florist. Although this industries is big but the competitiveness between the florist still healthy. Fun fact, sometimes florist will held a class for other people who just about to open their own florist shop.

The author have been talk to some florist in Jakarta an Tangerang, they talk about how their business going. At very beginning when they just open their shop, new customer who come to them mostly will ask them to arrange a bouquet like another florist portfolio. Though they have their own catalogue. But more customers will ask them to make it like what they want. This is why social media take a big role. With social media, florist can put they portfolio and catalogue.

These days, when people want to buy something, they will browser it first either in social media or google. Social media for business it's like the terrace of a house. When people buy a house, the first things they will see it's the terrace. It's the same as the social media, a customer will check the social media first.

Florist business in Java will create their social media first as the starter of their business. They will develop the business on social media to promoting and spreading brand awareness about the business. The author feels interested in the Florist Business by building their Social Media first before having one big shop as their offline shop.

There is a lot florist that can be found in everywhere and each of them have their own identity. One thing author did find it unique, the competition between florist quite low and most of the florist will open class for people who want make their own florist business. Sometimes they will also do some collaborations.

Florist it is not only about flower. Florist can be anything like gift, décor, or simply just a place to buy flower for any occasion. Florist always identically as flower arrangement only but what people don't know, they also do some collaboration with bakery owner, wine shop, and etc.

However, the Florist needs to arrange another florist, not a problem. Therefore, the writer can say the florist industry is relatively healthy. Even though there are many florists in Java, the competition between each Florist is not that tight, and if needed, sometimes they will recommend each other to the customers. Maybe, the healthy competition between the Florist makes almost all of them is a success. However, talk about success, there is also the unsuccessful one.

Author also have a connection that is related to the business. There is some Florist Business that succeeded in their social media but some of not. All businesses (no matter the small or the big one) can use Ads on any Social Media platform. However, only some of them who able to create a long-term engagement.

This research unique because there is creativity in creative as Instagram is full with people who like to share their masterpiece. Florist is a job that full of creativity from the flower designer.

## **1.2 Research Problem**

Florist is one of the common industries in Java. Most florists had their characteristics in arranging the flowers, which is why portfolios become one of the essential things as they build the business. Besides portfolios, social media is also essential for them. Because when customer's want to buy the flower, they will see the portfolios in the florist social media as the catalogue. Having a florist is not only about arranging the flower but creativity is also needed.

But not all the florist able to success while using social media for their business. It makes the author wondering about what the strategy the business used and the critical point helping them succeed with their Social Media. As the author mention earlier that not all businesses succeed with the same methods. Some might be success with the same methods but some need to find the new methods to promote their business. This research will investigate the critical

capabilities that can improve social media performance for SMEs in creative industry.

As far as the author knowledge, it is pretty rare a research do the investigation specifically talks about using social media in industry creative like florist. The main characteristic on creative industry especially in SMEs, they regularly doing an attractive design product to make it as the portfolio product. Other than florist, there is a lot SMEs in industry creative as fashion designer, shoes designer, foods, and etc. In this term, social media take a dominant role for communication and promotions the product.

The research about creative industry never specifically mention about florist industry. Also, not many research talk about the florist as object. A lot of business using social media as their tools but not all of them successful using it so in this research the main focus is to finding what is important variable while running the business with social media Instagram.

Author did preliminary research on 10 Florists to explore their activities to promote the product, especially social-media-related activities. In addition, the interview author did on a big and a small Florist. The result is that almost all florists said social media could help them promote their business, but it does not significantly impact their sales.

Ten of the florist author interviews choosing Instagram as their media to promoting their business. However, to be noted, Instagram and Facebook have become a unity as they are under the same company now. Big florist said, Instagram really help them to develop their business specially when they use Instagram ads. But some of them said Instagram does not give big impact for their business even when they used Instagram ads. The platform does help them to improve their brand awareness and gain new followers. But for the sales, it's not giving big impact even though the post might get a lot of engagement.

There's one Florist that author interview said they don't want using Instagram ads yet. They said they want gain new followers in organic way

(without Instagram ads) or in short, who following their account is customers who love their product. That's why without the ad's tools, they build their own portfolio on Instagram.

Portfolio become an essence thing for business especially for Florist. Most of Florist who author interview said, they face the same problem as started their business. Customers often ask them to made flower arrangement based on other florist products. To keep in mind, every Florist have their own way to arrange the flower and it's called as their portfolio.

Making the flower arrangement as the customers will become a problem for the Florist who is about to start their business. A flower bouquet is always about the Florist's creativity, and it means if the client wants the flower to look like other flower shops, it means the Florist cannot express themselves in the bouquet. So, this becomes a problem for the Florist because the work is about creativity in arranging the flower bouquet.

For some case, social media can be used as a place for transactions. From all social media that existed, this research only going to focusing on Instagram and Facebook. Both the social media are integrated to each other, to be exact Facebook acquired Instagram in 2012. Author chooses Instagram because most of the business in florist especially star their business on Instagram. There is some feature (but it always rapidly changes) that Instagram have but others social media don't have like for example feed and stories.

To address this issue, this research will employ Resource-Based-Theory (RBT) as the firm to investigate various capabilities in make SMEs succeed in using social media. RBT states a firm able to generate more economic value and achieve competitive advantage if having superior resources. RBV need resource base proves to be valuable, rare, inimitable, and non-substitutable (VRIN). As the VRIN characteristics assure, firm can deploy the resource and capabilities strategically.



Value of the marketing function in market orientation and the firm performance recognize, have a link between customer and several key firm of processes. The process including the approach to marketing capabilities including pricing, product development, and marketing communication (Afriyie, Du, and Appiah 2018).

Following the preliminary research and referring to the previous research, author propose four important capabilities that potentially improve social media performance. They are creativity capability, social media communication capability, and social media product development capability.

Innovation capability required in a company with a high level of innovation As a result, innovation capability can be defined as the ability to create new products in response to market demands (Aulawi 2018). The capacity in here can be mean implementing technology in accordance new products, develop and adapt new products.

The ability of the firm's individuals to generate new items and the ability to reconfigure or even develop existing products are the two components that make up innovation. Innovation includes creativity, which is described as the ability to generate valuable and useful ideas for the development of new goods, improvements, and work procedures.

The ability to communicate via social media It's about how a company can use social media applications to control consumer value perceptions in order to conduct marketing communication operations. (Tracy L. Tuten and Solomon 2017).

Social media marketing is crucial in the development of marketing capabilities. The number of social media platforms continues to grow, and social media has become a part of everyday life for communicating and sharing information. This has altered consumer behaviour and has become a worry that businesses must address. Literature shows that social media marketing was used

to improve a firm's repertoire of marketing capabilities in numerous aspects, particularly in Asian countries.

The capacity to price a product or service competitively on social media refers to a company's ability to monitor competitors' pricing strategies and market pricing adjustments. (Tarsakoo and Charoensukmongkol 2019). This also includes the competence of price-setting, which entails identifying competitor prices.

Marketers can now use a variety of social media sites to easily access their competitors' social media and price lists. As a result, make the communication between the competitor and their customers easy to access on this day. Meanwhile, product development competence refers to the ability to create new products and services in order to stay current with market demands. (Santos-Vijande et al. 2012). This skill looked at how businesses might add additional value to their offerings by introducing new products and services to their target market.

In social media marketing, product development capabilities refers to how a company can include social media into their product development process. The procedure comprises developing and launching new products and services to fulfil the needs of customers.

Social media performance refers to a company's success in employing social media as part of their marketing mix. The amount of fans, followers, or subscribers a company has on social media, for example, can be used to assess its performance (Marchand, Hennig-Thurau, and Flemming 2021). This performance designed to improving the customer relationships management (CRM) and brand management.

A firm needs an engagement in their social media. Because engagement is the benchmark in the firm to see whether the social media performance is good or not. Engagement also can be the measurement on how the firm doing while try to reach the target market.

### **1.3 Research Purpose**

Following the description above, the general purpose of this thesis is to investigate critical capabilities that can improve social media performance for SMEs in the creative industry. The general objective can elaborate by breaking them down into the following specific objectives:

- To investigate how innovation capability able to influence the social media performance
- To investigate the role of social media communication capability in influencing social media performance.
- To investigate the role of social media product development capability in influencing the social media performance

### **1.4 Research Contribution**

1. For the theoretical purpose, to know what's strategy that can help a business.
2. For the practical benefits, which can help the business know which strategy that help them when doing the businesses.
3. Give an insight for business about the strategy that big florist use.