

## *Chapter II*

### *Literature Review*

#### **2.1 Theory Review**

##### **2.1.1 RBT (Resources Based Theory)**

RBT is a dominant paradigm when talk about strategic management and become popular in adjacent and complementary fields in operations management (OM), marketing, and management sub-disciplines such as huma resource management and entrepreneurship (Hitt, Xu, and Carnes 2016). At first, RBT Industrial organization (I/O) economists are not fond of it since it believes that enterprises within an industry are diverse based on resource differences.

The prevalent belief is that any heterogeneity between enterprises is merely ephemeral, as homogeneity is thought to emerge over time within an industry. In marketing strategy, RBT has been used the most. (Kozlenkova, Samaha, and Palmatier 2014). Resource here defined as stocks of knowledge, physical assets, human capital, and other tangible and intangible factors owned or controlled (Ramon-Jeronimo, Florez-Lopez, and Araujo-Pinzon 2019). In theoretical framework, exporting firms consist of assortments assets and individuals that possess skills.

Mainly, RBT focused on the importance of resource strengths. This theory talk about a firm as a business management theory that examines markets with firm resources mobility, to determine the sources of competitive and sustained advantaged (Cruz and Haugan 2019). The theory examines the

link between a firm's internal characteristics and competitive advantages, the RBT can be said as the ideal theory to study how's firms performance.

A resource must have four attributes as heterogeneous recourses, and can be classified as Valuable, Rare, In-Imitable, and Non-Substitutable (VRIN) the firm, then advantage will not stay long (Mweru et al. 2015). Once the VRIN characteristics are assured, firms then able to deploy their resources and capabilities strategically, allowing them to exploit their distinctive competencies in the best way possible to create sustainable competitive advantage (Afriyie, Du, and Appiah 2018).

The RBT hypothesis states that outsourcing decisions are dependent on a client's ability to invest in domestic capabilities and so maintain a competitive advantage. RBT major factors of performance and may lead to a firm's long-term competitive advantage

### 2.1.2 social media

Social media today is a place within which we socialise, not just means of communications (*How the World Changed Social Media* 2016). Social media is a new communication channel for organizations and customers to communicate directly in the business world. Companies can communicate directly with end consumers on social media at a lower cost and with a higher level of efficiency than they can with traditional communication methods.

Businesses have begun to use social media for a variety of marketing goals, including branding, research, customer relationship management, services, and sales promotions. Most businesses nowadays use social media to promote themselves. Social networking is quickly becoming one of the most important business tools.

Social media has been largely implemented as an effective mechanism that promoting marketing goal and strategies from the firms (Ziyadin et al. 2019). Most of the time, social media also related to customer participation, customer relationship management, and communications. Strategically, social media can improve two-ways communication between firms and customers and accordingly, connect more customers to organizations.

M.Laroche define the important functions of social media are to influence the perception, attitude and final behaviour of consumer (Laroche et al. 2012). Individuals tend to express themselves, share ideas, contribute, create, and join communities of people in an online environment to meet their requirements for belonging, social connection, or simply to enjoy connecting with other like-minded people.

Mersey said quoting from Ziyadin, social media provide companies with the opportunity to interact with potential and existing consumers, create a deeper sense of intimacy with customers and building more meaningful relationship with customers (Ziyadin et al. 2019). Power of social media made enterprise notice that consumer confidence can be lose only because of slightly mistake which spread negative feedback and information about a particular product, service, brand or company.

Dave Chaffey define social media as the category of media that focus on participation and have peer to peer communication between individual that providing capability to develop user-generated content (UGC) (Chaffey and Ellis-chadwick 2016). Social media also the place to exchange messages and comments between different users.

### 2.1.3 SMEs (Small and Medium Enterprise)

Small and Medium Enterprises (SMEs) are important components. Because of their contributions is creating jobs and facilitating regional

development and innovations(Wardati and Er 2019). SMEs identity is based the number of the number of employees (Berisha and Pula 2015).

SMEs in many facts provide positive added value, SMEs face various obstacles such as limited working capital, low human resources, lack of knowledge and technology, limited market reach, and partnership problems. (Sungkawati 2021). SMEs have a great quantity than large business but in term of competitiveness, SMEs are still very weak. SMEs is very important in term of encouraging equitable regional development. The existence of SMEs is various regions has made various SMEs become the driving force for managing regional superior products.

Empower SMEs is important to facing the global challenges, such as innovating and behaving creatively (creative economy) in improving products a or services produces, developing human resources, technology and expanding the marketing area.

#### 2.1.4 Creative Industry

Even in times of economic crisis, creative industry is a phenomena of post-industrial economic development that offers an alternative sort of growth. (Veselá and Klimová 2014). The idea of creativity becoming an asset and has been part of economic policies since 1990s and have evoked a variety new terms, such as the 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).

Creative industries have been growing and star developing in many parts of the world, especially in developed countries. In Indonesia, term of industries had just been known in year of 2007 when the Ministry of Trade of Indonesia published the Creative Industries Study of Indonesia. Since then,

the creative industries has started looked at by not only the government but also academics and practitioners.

The government has decided to adopt the creative industry definition from the UK's DCMS, which came up with in 1998. They defined creative industries as a industries that give their origin in individual creativity, skill, and talent, which have a potential to wealth and job creation through the generation and exploitation in intellectual property (Maryunani and Mirzanti 2015).

#### 2.1.5 Social Media Marketing Communication Capabilities

Social media marketing communications allows marketers to sharing expertise and information, acquiring and retaining customers, launching low-cost promotions, and engaging with customers in interactive ways (Tarsakoo and Charoensukmongkol 2019). Customers can engage in the dissemination of information through social media platforms.

For businesses, social media marketing opens them new possibilities and benefits. To improve business success, it's critical to understand how to create and implement a social media marketing strategy. Although there is some conceptualization in the field of social media competency and capability in recent literature, it appears to be limited in breadth.

Stimulating sales, raising brand awareness, improving brand image, driving visitors to an online platform, lowering marketing costs, and encouraging users to upload or share information are all examples of social media marketing. The efficacy of social media marketing is also determined by the role that consumers give to firms and brands in the social media world (Felix, Rauschnabel, and Hinsch 2017)

#### 2.1.6 Social Media Product Development

Social media product development also refers to the price of the firms products or services competitively as well as to monitor competitors' pricing

strategies and pricing changes in the market (Tarsakoo and Charoensukmongkol 2019). Boosting sales, raising brand awareness, improving brand image, driving visitors to an online platform, lowering marketing costs, and encouraging users to upload or share content are all examples of social media marketing. The specific function people give to corporations and brands within the social media sphere also affects the success of social media marketing.

The product development refer to the capability to develop new products and service also ensuring constant adaptation to market needs(Santos-Vijande et al. 2012). This capability vie how firm have the ability to create a new value offering through firm's new products and services for the target market.

In terms of social media marketing, product development capability refers to how well a company can integrate social media into the product creation process. Developing and introducing new products and services to meet the needs of customers is part of the job.

#### 2.1.7 Social Media Performance

Social media performance refers to the success of an organization's use of social media as part of the marketing mix (Marchand, Hennig-Thurau, and Flemming 2021). This can be determined by numbers of the numbers of firms social media fans, followers, or subscribers, for examples.

The performance of social media is important as one of the way to attract the information seekers to obtain information about the product or service which customers are going to purchase. This intention can lead the consumers buy the product or the service. Social media can also be used to communicate with customers in order to obtain fresh product ideas and evaluate the present product design.

#### 2.1.8 Innovation Capabilities

Innovation capabilities can be defined as the capacity to develop new product that meet the market needs(Aulawi 2018). This capabilities talk about

how firm able to develop and adapt new product, technology for the better future. As there is a lot change in the market, innovation capabilities also talk about how firms respond quickly to the advancement of technology and utilize the market needs.

Innovation can be divided into two factor comprising the ability of the firms or individuals to create new products and ability to reconfigure or develop the existing products either radically or incrementally (Rajapathirana and Hui 2018). This capability is core to the insurance companies to define the successful innovations. Innovation capability can lead the organization develop innovations continuously to respond the changing market environments.

## 2.2 Early Research

Author found some of the early research that have some similarity with earlier research. Keyword writer used is Business Strategy, Social Media, and Instagram as the main topics of this thesis around that.

No	Author	Title	Keyword	Result	The Different
1	Wardati and Er Volume 161 2019	The Impact of Social Media Usage on the Sales Process in Small and Medium Enterprises (SMEs): A Systematic Literature Review and Medium Enterprises (SMEs): A Systematic Literature Review	Social Media SMEs	This journal review 24 talk about impact of social media usage. The sales process in SMEs from social media usage improve customer relations, expand marketing at low cost, improving information accessibility by get feedback and also idea from the stakeholders and improving company performance	Wardati Journal more focusing on the impact of social media usage while this research more focusing on social media performance of the florist. Also the previous research talk about the customer relations.

2	Teh et al. Volume 143 – 151 2021	Tapping the Power of Social Media on Innovation Performance	Social Media Innovation Performance	Social Media has significant effect on innovation performance. It is mean SME can benefit from social media and entrepreneurs in Malaysia believed that social media is one way of doing business in this era. But open Innovation did not mediate the relationships between social media and innovation performance.	Teh research only focusing on how Social Media on Innovation performance to a business while these research talk about Innovation Capability as one variable that will give impact or not towards Social Media Performance.
3	Chaochotechuaning, Daneshgar, and Sindakis International Journal of knowledge and Systems 2015	Innovations Strategies on New Product Development	Innovations New Product Developments	Product Innovations is crucial to the performance of firms. Several Innovations strategy have been adopted by firms in order to improve New Product Development and the process also consists several distinct stages.	The previous research focusing Innovations strategy towards New Product Development, while this research talk about how Innovations impact Social Media Product Development.



4	Lavoie and Abdulkour Volume 48 Issue 3 2015	How to define a creative SME	Social Media Creative SME Creative	Creative enterprise is a distinctive by the innovation on different levels (human resources, products, processes, business models, etc). It is also encourage the emergence of ideas and implements the idea. Forster the creation of new, original and quality ideas. In enterprise, errors are allowed.	The previous journal Creativity its needed to driving innovations. While this research innovations for driving the social media performance
5	Nguyen et al. Volume 51 2015	Brand innovation and social media: Knowledge acquisition from social media, market orientation, and the moderating role of social media strategic capability	Social Media Brand Innovation strategic capability	Brand innovation is influenced by some variety of learning-focused factors, displaying some interesting findings. The construct of knowledge acquisition from social media appear have strongest effect on brand innovation. There is relationship between proactive market orientation and innovation.	This research innovation influences by the variety of learning to construct of knowledge from social media and focusing in the market orientation. This research focusing on the innovation only to prove the social media performance for florist.
6	AlNuaimi, Singh, and Harney	Unpacking the role of innovation capability: Exploring the impact of leadership style on green	Innovation Capability Resourced based	Organizations must focusing on promoting in all levels of the organization and creating an innovation system where the ideas are cherished and	The previous research more focusing on how organization able to promoting and create

	Volume 134 2021	procurement via a natural resource-based		properly investigated and utilized. Respects to leadership, organizations should focus in allowing managers and leaders to practice their leadership duties freely to develop the technical and relational knowledge to make proper GP decisions.	innovation system. While for this research more in innovation capability. But the similarity of the research it's the theory, resourced based.
7	Ziyadin et al. Volume 10 2019	The role of social media marketing in consumer behaviour	Social Media Marketing	Social media advertising still a great way to increasing brand loyalty and on digital economy, especially it allow to interact directly with the potential customers on the regular basis. Social media also help the company to reach a larger number of consumers and it will increase the volume of income and increase the competitiveness of the enterprise.	The previous research focusing how social media still a great place for the advertising to increasing brand loyalty and the digital economy. While this research focusing on social media communication to promote the florist.
8	Marchand, Hennig-Thurau, and Flemmi	Social media resources and capabilities as strategic determinants of social media	Social Media performance	Understand new social media resources and dynamic capabilities is one of the strategic determinants of social media performance.	The previous research focusing on social media performance that can be understand based on resource and

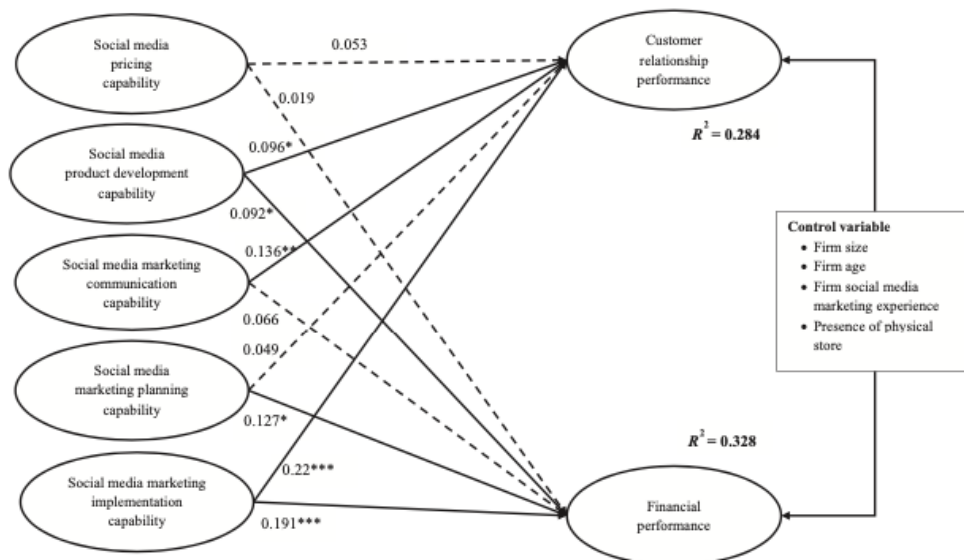
	ng Volume 38, Issue 3 2021	performance		Managers who handling social media should initially develop and advance a social media strategy, while considering influences on other social media resources and capacities.	dynamic capabilities. The research also talk about initially develop and advance the social media strategy. The similarity of the previous research with the current one is the social media performance.
9	Adetunji, Rashid, and Ishak Volume 33 2017	Social Media Marketing Communication and Consumer-Based Brand Equity: An Account of Automotive Brands in Malaysia	Social Media Marketing	Social media world-of-mouth, which revolves around consumers' reviews, comments and homages posted on social media constitute a significant part of brand-related communication that can improve how brand are perceived positively and by extension, enhance brand equity.	This research more focusing on how business use strategy with social media Instagram. The focusing is more likely variable that able to make the social media performance.
10.	Li Volume 92-93 2020	The digital transformation of business models in the creative industries: A holistic framework and emerging trends	Digital Transformation  Creative industries	The result of this journal is there should be a consideration when evaluating the new business models in the time scale. Because what works well in short and medium terms	The different with this journal is the object of the research also this research focusing on how the strategy used.

				could be disastrous in the long term.	
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### 2.3 Conceptual Framework

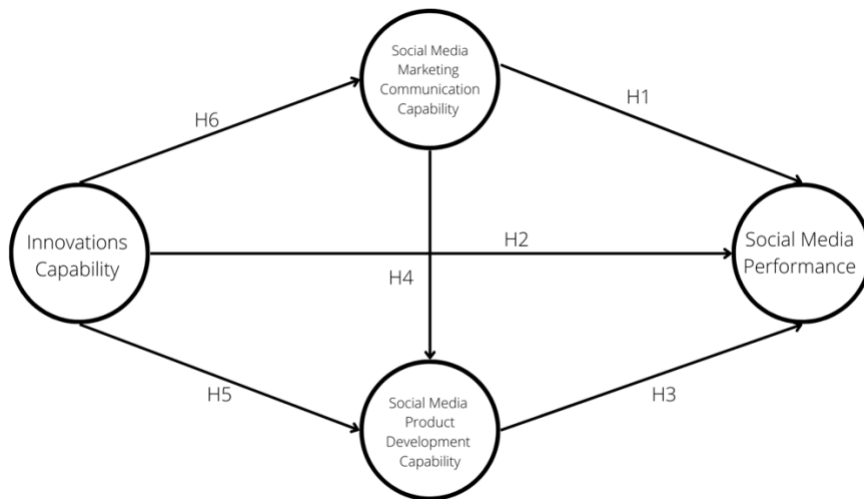
This study has a different framework than the previous one. Tarsakoo and Charoeunsukmongkol focused on how customer relationship performance and financial performance of Thai enterprises, but this thesis focused on social media performance of a Java florist. Only the two theories, social media marketing communication competence and social media product creation, are identical to past studies.

The Tarsakoo and Charoeunsukmongkol journal's framework is adjusted by the author. Their journal focuses on how customer relationship performance affects financial performance, whereas this thesis focuses on how the florist's social media participation affects financial success. Only two theories, social media marketing communication competence and social media product creation, have a commonality.



Picture 2.1 Original Framework (source : Tarsakoo and Charoeunsukmongkol)

The conceptual framework of this thesis is start from social media performance of the Florist did on Instagram. Performance takes an important role as that's how the Florist going to attract the customers and find the customers. How active they are in the social media can attract the customers specially when they often posting their work.



**Picture 2.2 Framework (source : research personal data)**

Following social media interaction, social media pricing and product development capabilities were utilized to determine the impact of a product's price on customer views of its worth. The products and services are linked to how customers perceive value, which influences customer satisfaction and loyalty. While product development capability is defined as a company's ability to produce new value through new products and services for its target market. This capacity also includes a company's ability to integrate social media into the product creation process. product development for social media.

The ability of enterprises to control consumer value perception by efficiently employing social media application for marketing communication activities such as advertising, sales promotion, public relations, direct

marketing, and personal selling is also required for this thesis. External factors forces, on the other hand, discuss external issues such as politics, economy, social, technology, competitors, and other variables that have no direct impact on the firm.

## **2.4 Submission of Hypotheses**

Hypothesis is a concept or idea that get test through research and experiments. Based on the early research and some of the theory which produce the framework, this is the research hypothesis:

### **2.4.1 Social Media Marketing Communication Capability (X1) influence positively towards Social Media performance (Y)**

Social media marketing communication allow marketers sharing knowledge and information's to acquire and retain customers. Also, social media can be counter as low-cost promotions to engage with customer in interactive ways. Beside social media can stimulate sales, increasing brand awareness, improving brand image, generating traffic to online platform, it's also can creating interactivity in platform by user to post and share content. Based on the description above, can be conclude :

**H1: Social media marketing communication influence positively social media performance**

### **2.4.2 Innovation Capability (X2) influence positively towards Social Media performance (Y)**

Innovation activities are getting essentials to act as a source of competitive advantage and it can be explain as implementing a new or significantly improved product, or process, a new marketing method, or new organizational method in business practice (Teh et al. 2021)

Previous research mention about how important it is to create an innovation system where the ideas are cherished and properly investigate and utilized. It is also mentioned that develop and adapt new product are important for firm future as there will be a lot change in the market. Innovation help firms have more portfolios in social media. Good portfolio able help firms better performance on social media. Effective management on innovation capability can help to deliver more effective innovations outcome to generate better performance. On the previous research by Teh Shan on 2021, Social Media positively and significantly affect innovations performance. Based on the description above, can be conclude :

**H2: Innovation capability influence positively towards social media product performance**

### **2.4.3 Social Media Marketing influence positively towards Product Development (X3) towards performance (Y)**

Social media product development also refers to monitoring competitors pricing strategies and pricing changes in the market. From there, firms able to develop new products and services to adaptation market needs. Which lead to the performance in social media as it is the place to attract the customer by the information firm have. Based on the description above, can be conclude:

**H3 : Social media product development leads to better social media performances**

#### **2.4.4 Social Media Marketing Communication (X1) influence positively towards Social Media Product Development (X3)**

Social media product development capability in term of social media marketing referring to how firm able to apply social media application to the product development process. Developing and launching new products or services can make firms do the social media marketing communication to introduce the marketers sharing their knowledge and information's.

**H4 : Social media marketing communication influence social media product development**

#### **2.4.5 Innovation Capability (X2) influence positively towards Social Media Product Development (X3)**

Innovation is practice of conceptualising and processing idea that generate commercial value in the form of new products and services(Ibidunni et al. 2020). it is to create an innovation system where the ideas are cherished and properly investigate and utilized. It is also mentioned that develop and adapt new product are important for firm future as there will be a lot change in the market. Innovation can be divided into two factors comprising the ability of the firms or individuals to create new product and reconfigure or develop existing product. Based on the description above, can be conclude:

**H5 : Innovation capability able lead to social media product development capability**

#### **2.4.6 Innovation Capability (X2) influence positively towards Social Media Marketing Communication (X1)**



Brand innovation is influenced by some of the variety learning-focused factors and displaying some interesting finding, can be good for the firm social media. That is why social media advertising still a great way to increasing brand loyalty on digital economy. Especially now it is still allowed customer and firm to communicate in daily basis. Based on the description above, can be conclude:

**H6: Innovation capability influenced positively social media marketing communication capability**