# A Conceptual Model of E-Commerce Implementation in Small Business Industry: Case Study of Muslim Fashion in Indonesia

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*Abstract:* In the current era of globalization, the use of Internet technology is increasingly widespread in various aspects of activities, especially those have a real impact on the development of global business. Muslim Fashion Industry experienced fairly rapid business growth. Muslim fashion has received significant attention among women, particularly Muslim women who wear the veil. This study aimed to analyze the implementation of e-commerce on Muslim fashion business in Indonesia and presents a conceptual model based on the analysis of research. This research used descriptive qualitative method by conducting semi-structured interviews, as many as 10 respondents from Muslim entrepreneurs in Indonesia participated in this study. Based on the results showed that the implementation of e-commerce provides a significant increase in the development of the business of Muslim fashion, especially hijab. Marketing and selling system, as well as purchasing system become important factors in the implementation of e-commerce. In addition, the use of various social media was also identified as an important factor in the development of Muslim fashion businesses, so as to build customer engagement. The results of this study are expected to know the development of Muslim fashion business in Indonesia, and can be input as a basis for formulating policies in the growth and competitiveness of business, especially the implementation of e-commerce on the small business industries.

*Keywords:* E-Commerce, Hijab, Internet, Marketing System, Muslim Fashion Industry, Purchasing System, Selling System, Small Business Industry.

## 1. INTRODUCTION

Currently, the development of information technology very rapidly lead to changes in business strategy with a focus on the mastery and use of technology. Technology has a dominant role for the development of companies such as to increase of sales, transactions, company performance, as well as the efficiency and effectiveness of the company. E-commerce is one form of use of internet technology in innovative ways

in doing business. Today, e-commerce become an alternative business in the modern era that are in line with market conditions increasingly dynamic and competitive. The use of internet technology led to access to information and communication is able to transcend geographical boundaries. Currently, the trend of entrepreneurship leads to e-business, which is doing business using electronic intermediaries, especially the Internet (Gunawardana, 2006). Through the use of the Internet, small businesses and organizations have a lower barriers entry for starting a business, including reducing marketing costs because it can be done through social media. The development of e-commerce can be seen during the last 20 years. Internet technology more widely to reach all areas so as to make e-commerce is more accessible, easy to use and a lower cost. Thus, e-commerce become one of the important tools of doing business (Timmers, 1998).

The growth of e-commerce market share in Indonesia is very rapid. Based on data from the Association of Indonesian Internet Network Operator (APJII), 132.7 million people Indonesia has been connected to the internet which is an increase of 50.8 percent compared to the number of internet users in 2014. The survey data also reveal that the majority of internet penetration is still in the Java Island, approximately 86.3 million people or 65 percent of total Internet users. A total of 50.7% of users access the Internet using mobile devices and computers, while users who access the Internet by using a mobile phone amounted to 47.6%, and 1.7% who access the Internet by using a computer. Based on the survey APJII (2016) also revealed the types of internet content that is frequently accessed by internet users in Indonesia amounted to 97.4% access social media. In addition, APJII survey also revealed that 62% of Internet users frequenting online content shop. It is a great opportunity for e-commerce market in Indonesia. E-commerce market has the potential to grow very large, it is supported by data from the Ministry of Communication and Information (2015) which stated that the value of e-commerce transactions in 2015 reached IDR 150 trillion.

Small businesses in Indonesia still not optimally utilize e-commerce to their support business activities. This situation is caused by various constraints such as inadequate infrastructure, lack of availability of skilled workers in information technology, lack of involvement of financial institutions, and inadequate educational background of entrepreneurs (Pimchangtong et al. 2003; Raharjo 1999; Setiyadi, 2002). Based on data from Nielsen (2013) showed that one of the low intention in online shopping of Indonesian society is mistrust, the survey results showed that 60% of Indonesian people are still afraid to give their credit card information for online shopping. The survey showed that low intention of Indonesian society is greater than the countries in Southeast Asia except the Philippines.

Today, e-commerce has been applied by the various business sectors, particularly SMEs. One sector that is currently developing is a Muslim fashion business. Fashion Muslims continue the transformation of the conservative style became more contemporary and modern. One Muslim fashion is growing very rapidly is the hijab. According to Oxford Dictionary Press (2010), "*hijab is a head covering worn in public by some Muslim women; the religious system which controls the wearing of such clothing"*. The function of the hijab is not only limited in technical functions, but also an identity for the wearer. Hijab fashion in Indonesia has developed very rapidly, as evidenced by the emergence of various models and styles of hijab, ranging from the veil, long dress, accessories, and more. Thus, hijab fashion becomes an already common and widely used by most women, particularly in Indonesia. The use of Muslim fashion today is not only popular in Indonesia, but in all countries, that have Muslim population. The fashion trend is an opportunity for entrepreneurs to start Muslim fashion businesses, the potential market provides various advantages with the needs and demands greater of community.

According to Director General of Small and Medium Industries (SMI) of the Ministry of Industry, there are 20 million people in Indonesia are using the hijab. Based on data from Small and Medium Industries, 750.000 SMEs in Indonesia, 30 percent is Muslim fashion industry. In general, the fashion industry is now able to contribute 50 percent of state revenue in the creative industries and there is a 2-3 percent growth in exports every year. Indonesia has at least five challenges to develop the fashion industry, namely raw material, technology, human resources capabilities, marketing, and capital (Vivanews.com, 2012).

This study aims to analyze the implementation of e-commerce on Muslim fashion business in Indonesia and presents a conceptual model based on research results. The entrepreneurs must be creative and innovative in doing online marketing so that they can convince a potential customer to shop online, especially for the target market of young people who are generally very aware of technological development. Companies should provide convenience and security of online shopping facilities, so it is expected that more Indonesian people who trust in conducting online transactions.

## 2. LITERATURE REVIEW

### 2.1. Entrepreneurship

Entrepreneurship is an attitude that reflects the motivation and the ability to identify business opportunities and generate new value or a value-added of product or service for economic success (Ajzen, 1991; Shapero dan Sokol, 1982). According to Dana (1995), the entrepreneur is an individual who build and manage the business with the primary goal is profit and business growth. Meanwhile, a small business owner is an individual who build and manage the business to realize their personal goals (Dana, 1995). According to Anggadwita & Dhewanto (2016), creativity and innovation are the keys to success for entrepreneurs to business sustainability by continuing to produce something new and interesting to the society, thus generating profits and business growth.

Entrepreneurship associated with the creation of micro, small and medium enterprises (SMEs). SMEs have been recognized as a strategic sector, which can contribute to the economy and can reduce poverty, create market opportunities, provide jobs, provide welfare to the surrounding community, and able to provide management resources related to the problems faced (Morteza & Mousakhani, 2012). Based on the data from the Central Bureau of Statistics (2012), the number of MSMEs in Indonesia amounted to 56.5 million and able to absorb a workforce of more than 107 million people.

### 2.2. E-Commerce and Online Marketing

The number of MSMEs in Indonesia is very large thus providing growth opportunities of e-commerce market. E-commerce is one of the facilities for MSMEs in marketing their products at low cost, but the global market coverage. E-Commerce has been used since 1965 as one of the tools the company's business activities in the form of ATM (Automatic Teller Machine) (Molla & Licker, 2001). E-commerce is the application of networking technology telecommunications to conduct a business transaction, the exchange of information and keeping in touch with consumers before, during and after the purchase process (Costa, 2001; Haag, Cummings & Dawkins, 1998; Post & Anderson, 2002; Zwass, 1998). According to O'brien and Maracas (2006), e-commerce is a media of buying and selling, marketing of products, services, and information via computer networks. Some categories of companies engaged in e-commerce activities are business-to-consumer, business-to-business, and consumer-to-consumer (O'Brien, 2005). E-commerce can reach consumers without

limitation geography, but the competition to be increased. Indonesia is categorized as a country with the level of adoption of Internet technology at the level of the beginning (early adopter), the most educated users and the company's readiness in anticipation of technological developments (Asia Foundation, 2002).

The marketing mix is a concept of marketing management, which is a set of controllable tactical marketing tools which are incorporated by the company to produce the desired response in the target market (Kotler and Armstrong, 2010). One media marketing online is by using endorser method. According to Shimp (2003), the endorser can be divided into two groups, firstly, the celebrity endorser is a character (actor, entertainer or athlete) known to the public because of their achievements in different fields. Secondly, typical-person endorser are regular people (non-celebrity), which is used to promote a certain product or service by a company. The selection of the type of endorser is usually used as a form of promotion testimonial to win the trust of consumers. Celebrity Endorser as the appeal of the message company must have a creative strategy in advertising rather to attract consumers.

The important things in the process of e-commerce business is to build relationships with consumers by providing confidence and guarantee security in the transaction. Brand building activities are key in obtaining a sustainable competitive advantage (Gommans, Krishnan, & Scheffold, 2001). According to Anderson and Srinivasan (2003), trust and perceived value is an important determinant in satisfaction on loyalty. Currently, the use of the internet already cover many fields including fashion online, one of which is the hijab. Fashion online business has shown significant growth over the last few years. The emergence of online fashion showed that fashion provide a significant contribution (Murphy, 1999). According to Krantz (1998), in the United States and other countries, fashion has proved one of the biggest online merchandise categories. The focus of this study to analyze the implementation of e-commerce implementation of Muslim fashion entrepreneurs, so that we can identify the effectiveness of e-commerce in doing business.

### 3. METHODOLOGY

This research used descriptive qualitative method to gain a deep understanding of the findings and research conducted (Moleong, 2009). Qualitative methods are carried out with the approach of observation, interviews and document collection which then results of the analysis are interpreted in the form of words and pictures (Dhewanto et al., 2015). Each Muslim fashion business was studied independently using multi-case processing techniques. A case study approach is used only for the specific case and cannot be generalized to other cases unless similar cases. The object of this study is the e-commerce implementation with the subjects of study were Muslim fashion business in Indonesia. The sampling technique was purposive in nature, where interviews were conducted with respondents considered to be informed about the social situation. Data were collected through interviews and observations. Primary data were obtained through semi-structured interviews with a purposive sampling techniques, 10 Muslim fashion entrepreneurs that have already implemented e-commerce participated as respondents in this study. Meanwhile, secondary data obtained through the company's data, internet, and other references.

The triangulation process conducted to validate this research, the method is expected to reduce bias. The triangulation process includes triangulation of sources, time, and technique. Data analysis in this research is conducted with interactive model that starts with data collection, data reduction, data presentation, and conclusions or verification (Miles and Huberman, 1994). The results of the data analysis were presented in the form of descriptions to explain the findings in the study (Moleong, 2009). A conceptual model proposed in this study is based on interviews and a synthesis of previous literature.

## 4. ANALYSIS AND DISCUSSION

### 4.1. Profil of Respondents

Table 1 below is a profile of respondents based on this research. There are 10 respondents who participated in this study, all of which are engaged in hijab business.

**Table 1**
**Profile of Respondents**

| Company | Description | E-Commerce Media |
|---|---|---|
| HP | The company started their operational in 2013. Currently operates 2 offline stores. The company produces hijab and skirt with their signature brand. They provide high quality products with various types styles, and colors include hijab printing. The company has tagline of "Your Royal Partner". | 1. Social Media: Instagram, Facebook, @Line<br>2. Website<br>3. E-mail |
| VH | The company started their operational in 2013. They don't have an offline store and only use online marketing. The company produces hijab and apparel. They provide good quality product with an affordable price. The also provide various types styles, and colors product. The company has tagline of "Indonesia's No 1 Hijab Brand". | 1. Social Media: Instagram and @Line<br>2. Website |
| KM | The company started their operational in 2014. Currently operate one offline store. The company produces hijab and apparel. They provide good quality product with an affordable price. The various products include hijab, khimar, and pashmina. The company has tagline of "Keep beauty and syar'i". | 1. Social Media: Instagram, Facebook, Twitter, @Line<br>2. Website |
| HSH | The company started their operational in 2012. They don't have an offline store and only use online marketing. The company produces hijab, apparel, shoes, and books. They provide good quality product with an affordable price include pashmina and long dress. The company has tagline of "Hijab for Solehah". | 1. Social Media: Instagram, Facebook, Twitter, @Line, BBM, YouTube<br>2. Website |
| HA | The company started their operational in 2012. Currently operate one offline store. The company produces hijab and apparel. They provide good quality product with an affordable price include hijab and khimar. The company has tagline of "Sahabat Taat, Hijab Syar'i, Yaa Hijab Alila". | 1. Social Media: Instagram, Facebook, Twitter, YouTube<br>2. Website<br>3. E-mail |
| RY | The company started their operational in 2013. They don't have an offline store and only use online marketing. The company produces hijab and apparel. They provide good quality product with an affordable price include pashmina and long dress. The company has tagline of "Headscarves & Apparel". | 1. Social Media: Instagram and @Line |
| AS | The company started their operational in 2011. They don't have an offline store and only use online marketing. The company only produces hijab. They provide good quality product with an affordable price include pashmina. The company has tagline of "Exclusive made with love". | 1. Social Media: Instagram, Facebook, Twitter, @Line, and BBM<br>2. Website<br>3. E-mail<br>4. Marketplace |

| | | |
|---|---|---|
| EH | The company started their operational in 2013. Currently operate one offline store. The company only produces hijab. They provide good quality product with an affordable price include pashmina with various colors. | 1. Social Media: Instagram, Twitter, @Line |
| HG | The company started their operational in 2010. Currently operates 3 offline stores. The company produces hijab and accessories. They provide good quality product with an affordable price. | 1. Social Media: Instagram, Facebook, Twitter, @Line<br>2. Website<br>3. E-mail |
| MM | The company started their operational in 2012. Currently operates four offline stores. The company produces hijab and apparel. They provide good quality product with an affordable price include colorful hijab. The company has tagline of "Hijab Fascination". | 1. Social Media: Instagram, Facebook, Twitter, @Line, YouTube<br>2. Website<br>3. E-mail |

Based on the results of study can be seen in Table 1 above, almost all companies have tagline as corporate identity, tagline is the hallmark and passion statement of entrepreneurs in business. Only two company do not have a tagline, EH and HG. All Muslim fashion businesses in this study came from the region of the java island, but it can be seen that their market reach includes a national and even international. The average of entrepreneurs started their business in 2012 - 2013, based on the results of the study showed that the company of HP, VH, KM, RY, and EH are still classified as startup business for the duration of less than three years, while HG company is the longest since started its business in 2010. The majority of entrepreneurs also own offline stores, they not only make transactions via the internet, but provides a store that can be directly visited by the customers. MM company which established in 2012 already has four offline stores. Meanwhile, some businesses that do not have an offline store are VH, HSH, RY, and AS. Almost all Muslim fashion businesses have products with superior design and each characteristic, while HSH company complement its business product with other products including shoes and books, but still nuanced of Islam. Characteristics of the product offered was varied, but basically all business providing quality products at competitive prices. Characteristics of products offered follow the current fashion trends, where the style and colors follow the development mode. Hijab is currently regarded as one of the fashion trends, not only in Indonesia, but around the world who have the Muslims. In addition, the style is simple but still reflect the Muslim women who cover themselves, to be a mainstay some hijab business.

All entrepreneurs who were respondents in this study started their business from online stores. This indicates that the implementation of e-commerce has been done by the Muslim fashion businesses to attract of their customers. According to data from SP eCommerce (2014), based on the study Google claimed that Indonesia is one of the countries with the highest users of social media, as much as 97% of Internet users use social media and 79% do so at least once a day via their smartphone. The most popular social media platforms in Indonesia is Facebook, Twitter and Google Plus (SP eCommerce, 2014). The use of social media is a top priority of the Muslim fashion business in introducing their products. By using social media, they create communication links between entrepreneurs and consumers. Based on the study showed that almost all hijab entrepreneurs use social media, one of the social media owned by the entrepreneurs is Instagram. HSH company use all social media in a business process including Instagram, Facebook, Twitter, Line@, BBM, and YouTube. Meanwhile, MM company also use all social media except

BBM. In addition, almost all Muslim fashion businesses have their own website, except RY and EH company. The company that become a member of an e-commerce marketplace only AS. The research was supported by the data showed that in early 2013, Indonesia was ranked first worldwide in terms of growth of Twitter accounts, and in 2014, Indonesia has 69 million active Facebook users which is the fourth largest in the world (SP eCommerce, 2014). Based on data from idEA (2014), 26.4% of online transactions occurred on social media platforms, indicating that social media activity is a great opportunity for Muslim fashion business to engage directly with their customers and ultimately drive sales in the social space.

## 4.2. Conceptual Framework

### Marketing and Selling System

This study identified marketing and selling system that is used by the Muslim fashion business to attract the customers. Marketing system is one of the marketing mix technique, in which the marketing mix is a set of controllable tactical marketing tools combined by company to produce the desired response in the target market (Kotler and Armstrong, 2010). In the operation of an online fashion company, one of the most important aspects is marketing. E-marketing is a term used to describe the activities of business marketing online. E-marketing is defined as *"achieving marketing objectives through the use of electronic communication technologies"* (Chaffey, 2002).

Based on the results of the study showed that nearly all entrepreneurs used endorsement method. The endorser in social media of Instagram is known as celebgram. Celebgram is individuals or groups that communicate the message of products or services that can be known to the public. Company of HP, VH, RY, AS, and HG using the marketing and selling system with endorsement method and also actively interact with their customers through social media. The use of the website also supports the business processes performed by these companies. KM company applying pre-order strategy and cooperation with several resellers to help the marketing process. KM company also provides an offline store, so consumers can visit the store and make transactions directly. The use of social media is also actively conducted by KM company. Other activities undertaken KM company is by reviewing the product in several magazines, the owner was a speaker at several seminars and actively informed about their products in her personal blog.

HSH company provide products with a ready stock system, which means that consumers can get the products they want directly. In addition, HSH owners also writes and launching the book. The book contains the motivation and experience of the owners. HSH company also provide products with design concept of limited edition, which means that they only produce with limited quantity and the products are not sold at other stores.

HA company was founded by a religious teacher who is very popular, so that they can take advantage of these conditions to be their own product endorser. It is also done by the MM company, where the owner of the business is one of the celebrities in Indonesia, so that it becomes one of the advantages of the owner to market their products and become endorser for their own products. According to Schiffman and Kanuk (2000), the definition of endorsement is the appeal of a celebrity or some other reference group which they lent their name and appear to represent a product or service. Credibility of celebrity endorsers including attractiveness, trustworthiness, and expertise (Ohanian, 1990).

## *Purchasing System*

Based on the results of the study indicated that each business implemented different e-commerce systems, particularly in the purchasing system. Purchasing system is an activity related to the process of implementation planning, evaluation, purchasing decisions, and operational to direct all functions of purchasing activities to the opportunities, consistent with the company's ability to achieve the company's strategic long-term goals (Carr and Smeltzer, 1997). Management should better understand the importance of purchasing management, supplier involvement, strategic purchasing and relationships with the company's financial performance (Carr and Pearson, 2002). Purchasing strategy should be part of the overall corporate strategy (Ellram and Carr, 1994). Purchasing system aims to provide convenience to the customer in the transaction.

Some Muslim fashion companies provide provisions in the order process, it was related to the readiness of the required resources such as time and energy. Almost all companies use communications media using application including WhatsApp, BBM, or @Line to transaction process. While, KM and AH company, they do not provide communications services to consumers, for consumers who want to buy goods should through a reseller or distributor directly. All companies are also actively update the display products on the website, where the product has been sold will be deleted or given information "sold out". In the website, the customer can also review the products and provide scores for favorite products.

Some companies also apply the provisions of the time order, as was done by the companies of HP and VH which open orders at 05:30 a.m. While, RY company provide an open order at 06.00 a.m., and providing guarantee at 09.00 a.m. already getting a response to the transaction process.

## *Customer Engagement*

Customer engagement is a process to better understand customers and encourage customer loyalty. Increase consumer loyalty is one of the efforts in reducing the burden of the cost of business so as to obtain the trust of customers, it is also able to create preferences for products and services. According to Bowden (2009), the difference between customer engagement and marketing traditional construction such involvement, commitment and loyalty. Implementation of e-commerce in the process of customer engagement is one of increasing long-term relationships with customers, so as to increase online usage and improve retention with interactions more secure, personalized, and interesting.

Based on this research, several approaches made by all entrepreneurs to improve relationships with customers including the direct interaction via social media by providing feedback or comments. Moreover, another approach undertaken by the VH company is to provide a surprise or a free gift in the form of special programs for loyal customers. Meanwhile, KM and HSH companies give special price and discount for loyal customers and distributors or resellers. Customer engagement process is also conducted by providing information and knowledge related to the use of hijab by providing a hijab tutorial video as practiced by HA, EH, and MM companies.

Based on the interview result and literature synthesis above, this study provides a conceptual model. The conceptual model presented aims to provide a better understanding of the implementation concept of e-commerce on Muslim fashion business. Conceptual models proposed are as follows:
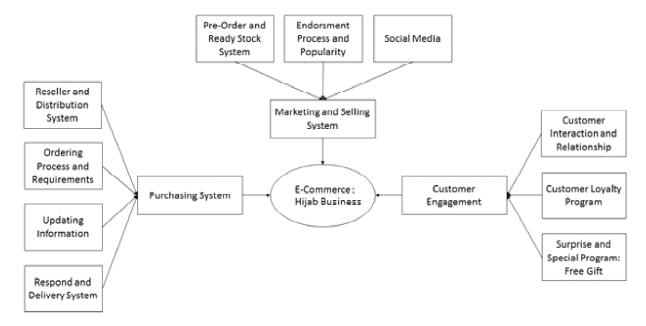
**Figure 1: Conceptual Model of E-Commerce Implementation of Muslim fashion business**

## 5. CONCLUSION AND RECOMMENDATION

Based on the results showed that every companies have implemented e-commerce to facilitate the company's performance and improve the quality of the company. The implementation of this technology is proven to expand the company's market share is primarily marketing process becomes easier, two-way communication with consumers, and customer engagement. In addition to increase market exposure, through e-commerce, companies are also able to expand globally because the use of the Internet includes a global network.

The use of social media had a significant impact in the development of their businesses, and almost all businesses in this study have been using social media. The implementation of e-commerce also proven to improve relations between companies and consumers. In this study, all businesses already have a website, where the website is used as a facility of interaction with consumers so that entrepreneurs can better understand their customers. E-marketing also has been well implemented by several companies in this study, one of which is a method of celebrity endorsement, in Muslim fashion business the method proved useful. In the purchasing system, the use of chat applications such as WhatsApp, BBM, and Line@ also proved to simplify the process of communication between entrepreneurs and consumers.

This research has identified several factors that affect the implementation of e-commerce on Muslim fashion business in Indonesia. This research is expected to contribute in the process of implementing e-commerce on Muslim fashion business in Indonesia. In addition, an extensive business network must be supported by adequate infrastructure. This study can be considered by the various stakeholders to improve the information technology infrastructure in Indonesia. In addition, for companies that implement e-commerce, several priority factors to increase consumer confidence including marketing system, purchasing system and customer engagement.

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