

## **CHAPTER I**

### **INTRODUCTION**

#### **A. Background**

Further the expansion of the times, the development of SMEs (small and medium enterprises) led to increasingly competitive industry competition, in which each country vying to develop and market its products as much as possible out of the country. The businessmen continues to work for what they produce and they offer can be accepted by consumer both domestically and abroad, which will then be purchased in the purchase of the maximum level with a high frequency of purchase.

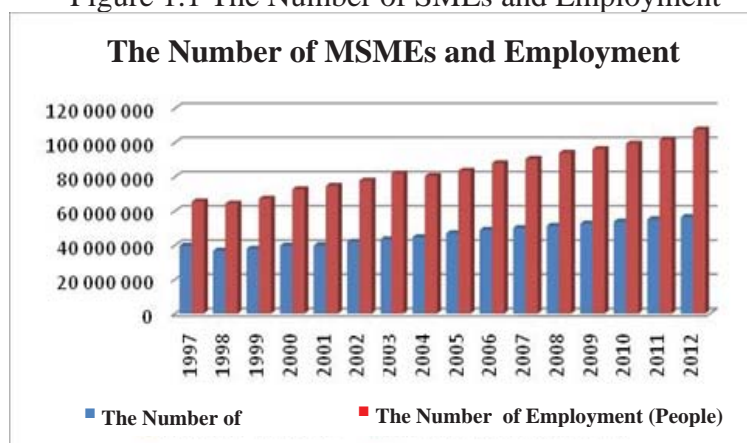
In general the tendency of competition in world trade and marketing international scale today is not only due to competition in price but has developed into a competition quality image from which the product is derived, where each company in each country vying to plug the image quality of their product in order to become top of mine in the minds of consumer. Each product offered by each country has its own characteristics that distinguish the products of competitors. To understand and attract consumers to buy and also to increase the volume of exports in each country should have its own characteristics in addition be supported by a strong quality image in the minds of consumers as well as in every country in conducting the SMEs (small and medium enterprises) development apart from the company itself is also expected that the attention and support of the government in each country can be realized well. Many countries have now applied to businessmen such in a country to deploy an international marketing management system. This is so that a company may widen its wings in a country by plunging into the broader market, namely the market international so companies can have a broader market strategy. Therefore, it has demanded the businessmen in the country especially Indonesia and China to continue to critical

thinking in the face of increasingly competitive, because the competition is not just coming from the local competition but it has been expanded into a global effort. If businesses are not ready to face the competition today, impacts and effects can arise from such competition.

At present some countries have conducted bilateral economic cooperation, thereby reducing regional and global trade barriers such as import taxes, customs duties, tariffs, quotas. Such cooperation can promote free trade import export process so that it goes over easy and cheap, this is the case as between China and Indonesia, particularly in terms of developing SMEs (Small, Medium, and Enterprises) in both countries by comparing the international marketing management system undertaken by China and Indonesia.

SMEs (small and medium enterprises) are a business sector that is often referred to as “small chili” or in the Indonesian names is “*kecil-kecilcaberawit*”. It can be seen from the SMEs contribution to GDP (gross domestic product) Indonesia, which reached 57% and is able to absorb 97% of the total 110.81 million national workforce (Ministry of Cooperatives and SMEs, 2012). Every year of the number of SMEs continues to increase along with an increase in employment. SMEs also increase foreign exchange in the form of export receipts amounted to 27.700 billion or 4.86% of total exports. In national investment, SMEs also demonstrated its role with increased contribution to total investment from year to year since 2000 in 2000 amounted to only SMEs investment Rp. 133.08 trillion and increased to Rp. 275.27 trillion in 2005 and continued to increase until now. SMEs have always been a concern for policy makers in Indonesia, Hal Hill (2001) said that SMEs play an important role in economic growth and improve half of output per sector. Besides, the SMEs become a tool for business ownership by indigenous people and to improve re redistribution of assets. Effective SMEs also able to create a favorable climate for industrial growth and increase flexibility in the structure of the industry.

Figure 1.1 The Number of SMEs and Employment



Source: BPS (2012)

Indonesia faces a challenge in the face of opportunities in ASEAN economic community 2015. The more open markets among ASEAN countries, the competition of products and services lead to broader opportunities to increase sales because it targets a more diverse market. The more dynamic economies among countries also opened up opportunities for easier access to capital and technology that will improve the productivity of SMEs.

Referring to the economic growth and trade of China, many experts say as phenomenal. China's rate of growth was faster than expected by many sector. According to the magazine FOCUS, in December 2005, the government of China able to raise again its GDP amounted to \$285 billion, making economy of China is ranked 6<sup>th</sup> in the world. When combined with Hong Kong, it will be able to same with USA, Japan, and Germany. Over the past few years China's economy grew on average by 9,4%, while GDP per capita increased by 600%, which is the first occurrence in the history of the world. With the export-oriented economic system, China is able to increase the export value of US\$ 267 billion (2001) to US\$ 762 billion (2005). China economy that is strongly oriented towards exports is a challenge for industrialized countries. Competitive pressures from China are rising rapidly not only in the textile sector, but has also penetrated the electronics

industry, telecommunications and even automotive and transportation (Nurul Huda & Zulihar, 2009: 184).

China is one of the main trading partners of Indonesia, in addition of other countries such as the USA and Japan. This was shown by the increasing volume of trade between Indonesia and China from year to year. The following data show how the dynamics of trade between the two sides of the country:

Table 1.1 Trade Balance Indonesia with China, Period: 2005-2010

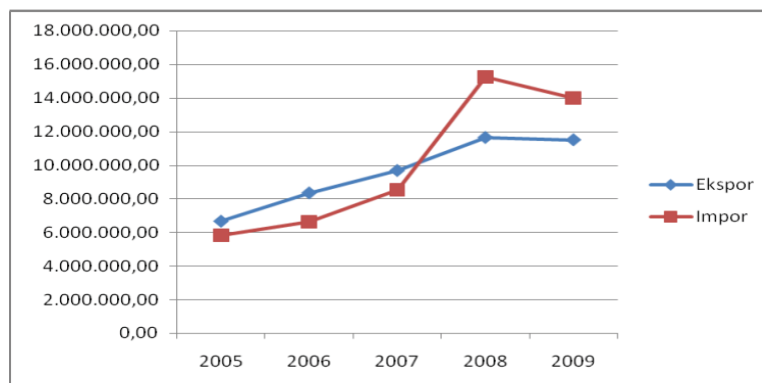
Commentary	2005	2006	2007	2008	2009	Trend (%) 2005-2009	Jan-Juli		Change (%) 2010/2009
							2009	2010	
Number Of Trade	12.505.2 16,0	14.908.4 66,0	18.233.3 89,0	26.883.6 72,0	25.501.4 97,0	22,0	13.109.0 85,0	19.160.6 08,0	46,00
Oil	3.994.18 3,0	4.001.87 3,0	3.612.03 5,0	4.148.60 0,0	3.090.05 2,0	-4,00	1.653.81 9,0	1.219.12 8,0	-26,00
Non-Oil	8.511.03 2,0	10.968.5 92,0	14.621.3 54,0	22.735.0 71,0	22.411.4 45,0	30,00	11.455.2 65,0	17.941.4 79,00	56,00
Exports	6.662.35 3,0	8.343.57 1,0	9.675.51 2,0	11.636.5 03,0	11.499.3 27,0	15,00	5.925.29 5,0	7.737.02 5,0	30,00
Oil	2.702.59 1,0	2.876.96 1,0	3.011.41 2,0	3.849.33 5,0	2.579.24 2,0	1,00	1.471.28 7,0	762.449, 0	-48,00
Non-Oil	3.959.76 2,0	5.466.61 0,0	6.664.09 9,0	7.787.16 8,0	8.920.08 4,0	21,00	4.454.00 7,0	6.974.57 6,0	56,00
Inports	5.842.86 2,0	6.636.89 5,0	8.557.87 7,0	15.247.1 68,0	14.002.1 70,0	29,00	7.183.79 0,0	11.423.5 83,0	59,00
Oil	1.291.59 2,0	1.134.91 2,0	600.622, 0	299.265, 0	510.809, 0	-27,00	182.532, 0	456.679,0 0	150,00
Non-Oil	4.551.27 0,0	5.501.98 2,0	7.957.25 4,0	14.947.9 03,0	13.491.3 61,0	37,00	7.001.25 7,0	10.966.9 03,0	56,00

Sumber : Journal Economic and Islam Business| Vol. VII, No. 1, Desember 2012

Based on data from the past five years, total trade between Indonesia and China continues to increase, as in 2005 valued at US\$ 12.5 billion which increased to US\$ 2.5 billion in 2009. The economy of China in recent years did show strength in various parts of the world, including in Indonesia. At five years ago, Indonesia still recorded a trade balance surplus (exports>imports). However, in recent years, the value of Indonesian imports>exports to China (trade deficit). This means that Indonesian exports to China are smaller than employers China

exports to Indonesia, but the situation turned around since 2008 until now. The following comparison of data exports and imports between the two countries:

Figure 1.2. The Development of Export-Import Indonesia to-from China



Source :Journal Economicand Islam Business| Vol. VII, No. 1, Desember 2012

Since 2008, the values of imports from China already exceed the value of Indonesian exports to the country the bamboo curtain. Even more worryingly, the proportion or ratio of exports and imports showed a significant decline. In the first half of 2009, Indonesia exports worth around US\$ 5.925 billion while imports valued at US\$ 7.183 (exports amounting to 82.84% of imports). This proportion being dropped quite significantly in first semester, 2010 when Indonesian exports only amounted to US\$ 7.737, while imports from China amounted to US\$ 11.423 (exports amounted to 67.72% of imports). Various concerns about the strength of trade hegemony China in various countries, including Indonesia, seems to have demonstrated fact, especially after the implementation of ACFTA (ASEAN-China Free Trade Area).

Based on the description above, the author intends to analyze the system management of international marketing in the SMEs (small, medium, enterprises) in China and Indonesia as well as to find out why SMEs China is superior when compared with Indonesia in the share of International market. Therefore, the authors are interested in conducting a study entitled “Comparison of International Marketing Management System in China and Indonesia”.

## **B. Identification and Restriction Problem**

### **1. Identification Problem**

- a. The development of SMEs (small and medium enterprises) led to increasingly competitive industry competition.
- b. Competition in the business world today do not only come from the local competition but has penetrated the global competition.
- c. The role of SME (small, medium, and enterprises) be the choice of each country to be able to enter and compete in the international market.

### **2. Restriction Problem**

The study is limited in international marketing management system applied to the SME (small, medium, and enterprises) and the development of volume export which occur in China and Indonesia and through comparison between the two countries.

## **C. Formulation of the Problem**

Based on the description above, the formulation of research problems can be formulated as follows :

1. How about comparison development of international marketing management system at SME (small, medium, enterprises) in China and Indonesia?
2. How about comparison of export to world at SME (small, medium, enterprises) between China and Indonesia?

## **D. Objectives Research**

As for the purpose of this study was to :

1. To find out how about development of international marketing management system at SME (small, medium, enterprises) in China and Indonesia.
2. To find out how about comparison of export to world at SME (small, medium, enterprises) between China and Indonesia.

## **E. Usability Research**

Through research by the author, is expected to provide the following benefits :

### **1. For the Author**

For the author of this study as additional knowledge about international marketing management system in an organization, especially SMEs (Small, Medium, and Enterprises) in competing in the global market, and also to gain knowledge by looking at the comparison between the two countries, namely China and Indonesia in the implementation of international marketing management system.

### **2. For the Readers**

For the readers of this study as additional knowledge and references, especially in the field of international marketing.

### **3. For the Organization or Company**

For the organization or company SMEs (Small, Medium, and Enterprises) benefit from the results of this study can be used as consideration and references that support the improvement or development of international marketing management system in the future.

## **F. Writing System**

The purpose of the systematic manufacture of this paper is to provide concise and clear picture of the contents and chapter by chapter. systematic discussion are as follows :

### **CHAPTER I : INTRODUCTION**

In this chapter will outline the background, problem identification and problem limitation, the formulation of problem, objectives and benefits of the research, as well the systematic writing.

**CHAPTER II : THEORETICAL BASIS**

In this chapter outlines the theories that are used as the basis for research to look at the extent to which the theory can be applied in a real implementation and support troubleshooting.

**CHAPTER III : RESEARCH METHOD**

In this chapter describes the method used in this study.

**CHAPTER IV : RESEARCH OBJECT**

In this chapter outlines the general picture of the object being studied.

**CHAPTER V : RESEARCH RESULT AND DISCUSSION**

In this chapter discusses the results of research conducted in this paper.

**CHAPTER VI : CONCLUSION AND SUGGESTIONS**

In this chapter contains the conclusions of the discussion conducted in the previous chapters and useful suggestions for related parties.