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PAST, PRESENT AND FUTURE



Editors:

Dr. A. Rachmad Djati W., M.Sc.

Ir. Tjahjono Rahardjo, MA.

G.M. Adhyanggono, SS, MA.





PROCEEDING

**THE 1ST JAVA INSTITUTE INTERNATIONAL COLLOQUIUM
Reframing Java: Past, Present and Future**

EDITORS

Dr. A. Rachmad Djati W., M.Sc.

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**JAVA INSTITUTE – SOEGIJAPRANATA CATHOLIC UNIVERSITY
SEMARANG – INDONESIA
2010**

PROCEEDING

THE 1ST JAVA INSTITUTE INTERNATIONAL COLLOQUIUM

Reframing Java: Past, Present and Future

® Soegijapranata Catholic University, 2010

Penerbit Universitas Katolik Soegijapranata

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Preface

For years we are used to doing mono-disciplinary study of our own perspectives. This kind of study might give significant contribution to the respective field and the society in general. Many people have become specialists in certain scientific as well as practical fields. In the 'specialist trend' situation, there is a need to communicate with each other to put our study and practice in larger context. The Java Institute International Colloquium (JIIC) is one of efforts to discuss Java from several points of view. This book is a compilation of various topics highlighting the theme "Reframing Java: Past, Present, and Future". The contributors are (mostly) researchers from both domestic and foreign universities and institutions. They have conducted studies on several aspects of lives in Java, or reviewed particular aspects of Java living in global context. They are experts in public health, economics, culture, education, and environment studies.

We would like to share our gratitude to all contributors for their willingness to share ideas in the meeting and this book. We are also grateful to the Rector of Soegijapranata Catholic University, Prof. Dr. Y. Budi Widianarko, for his support and encouragement, to the committee. We thank to all committee members and fellows to make this compilation prepared.

Chairperson,
A. Rachmad Djati Winarno

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CHAPTER II

PRESENTERS' PAPERS

Major changes are being
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APPLICATION IN INTERNET ADVERTISING AND MARKETING THROUGH E-MAIL MARKETING TO BOOST SMEs IN DEPOK

Mujiyana

Gunadarma University

INTRODUCTION

According to the International Finance Corporation (IFC), World Bank, micro-business is a business that involves labour up to 10 people in total assets and sales every year up to U.S. \$ 100,000. Micro sense according to the World Bank has yet to be adopted by Indonesia because financially these micro ranges classified as very high. Micro-enterprises in Indonesia, most legal entities are not generally difficult to find financial data. The potential of micro, small, medium and large cooperatives, in Indonesia, operates about 38 million SMEs, or 99.8 percent, and capable of absorbing 58 million, or 99.6 percent of the workforce (CBS, 2002). Although only utilize 10% of the total money in circulation, but has contributed 49% of GDP and 15% non-oil exports.

Scope of the Research

The scope of this research is the advertising done by the SMEs through the Internet medium in Depok area, using the merger method of advertising via the website, and the use of electronic mail (e-mail) in order to influence decisions of consumers. This research is limited to two tests, first test to test the influence of SME's product advertising and marketing through the Internet

via e-mail for advertising information processing and decision-making purchases by internet users. It is then followed by testing the influence of advertising SME's products via internet to increase sales of SME's products.

Problem of the Research

As explained before, this research is aimed to develop the advertising media and effective marketing activities for SME's products in Depok. The measurement used is combination of advertising decision model as advertising program (Kotler, 2005), E-mail marketing model (Kalyanam, 2002), Information processing model (McGuire, 1999) with the main questions:

1. Does the conducting of product Internet advertising program and e-mail marketing of SMEs in Depok significantly influence the processing of advertising information?
2. Does the conducting of product Internet advertising program and e-mail marketing of SMEs in Depok significantly influence, both directly and through advertising information processing phase, the purchasing decision of the Internet users ?
3. Does the information processing of consumers or Internet users influence the purchasing of a product?

Purposes of the Research

The main purposes of the research are:

1. To examine the influence of the conducting of Internet advertising program and e-mail marketing of SME's products on the advertising information processing by the Internet users.
2. To examine the influence of the conducting of Internet advertising program and e-mail marketing of SME's products in Indonesia on the purchasing decision of Internet users both directly and through advertising information processing phases.
3. To examine the influence of information processing of consumers on the purchasing of SME's products decision.

THEORETICAL FRAMEWORK

Internet is mostly used to promote than to sell (e-commerce) (Andam, 2003). Advertising has a main influence that is to give a contribution to company's profit. However, profit can be defined broader. Profit can be measured in monetary measurement, such as the increasing of profit or the higher stock exchange. It also can be measured in other unit such as the decrease of accident caused by alcohol while driving (Rossiter and Percy, 1998). There are three fundamental ways for companies to achieve maximal profits: by increasing the price of the products, by decreasing budget, or by increasing the volume of selling (Rossiter and Percy, 1998). However, advertising can be connected to the increasing of selling volume. This way influences the three factors. Therefore, advertising that increase profit of advertised company-by the increasing of selling volume, the increasing of the willingness of consumers to pay or to decrease budget related to the products-can be assumed as effective advertising. (Bergkvist, 2000). However, in many researches, it is found that the goal to gain profit is not the main goal of Internet advertising. The result of the research by International Federation of the Periodical Press (Consterdine, 2005) on websites magazine shows that the main goal of websites magazine is to broaden publication exceeding the number consumers of printed edition by creating new online consumers (84%). The second main goal is to use the websites to attract new readers of printed edition magazine (81%). The goal to gain new income in short or long period is in the next position.

The proof that Internet advertising is able to increase the selling can be seen in various research, one of them a research conducted by Atlas DMT in December 2000 (Song, 2001). In this research, scientific analysis on the real influence of online advertising on online travel is published. The result shows that online advertising has significant influence. Furthermore, in the research according to Jupiter Research (2001) the research result from April 2000 to March 2001 shows than European people visiting automotive websites on Internet doubly increased in line with the number of Internet users that search for information of new cars produced and loan, or car insurance.

By the existence of the Internet, the opportunity to market the product through it comes up. Recently, E-mail marketing is getting a lot of attentions nowadays. Some of writings in management emphasize the benefits of e-mail marketing (Hans and Reddy, 2000, Clarke 2003). It is emphasized that e-mail marketing is an efficient way to communicate with groups of target and produces high response from customers. Furthermore, e-mail marketing is stated as out of reach, easily implemented, and fast responded (Martin, et al, 2003). E-mail marketing can be assumed as a tool of e-marketing. E-mail marketing is included into a group of direct marketing communication. Consequently, e-mail marketing is a direct marketing that is managed by on line instrument, namely, e-mail.

According to Kalyanam et.al (2002), e-mail is used for three main functions: The first function is to promote the product, the second function is to give consumer services, and the third function is to accept questions from consumers. The first function is related to promotional e-mail, the second. Moreover, the third functions are related to service related e-mail. Service-related e-mail is an e-mail received by consumers when a transaction between different parties happens. This e-mail contains information related to the transaction. Therefore, it shows that service related e-mail is more or less specific for different consumers and that promotional e-mail is sent in bigger amount than service related e-mail to all or most of the consumers.

Consumer's decision process as the result of advertising exposure generally begins with the introduction of need, information searching, alternative evaluation, and the last is purchasing and satisfactory (Sumarwan, 2003). However, for the decision process of Internet purchasing, Champy et.al (1997) arrange new mode that consists of: *Knowledge*: (to search information of a product to have an understanding), *Interaction*: (to communicate with producer), *networking* (to interact with other consumers that have similarities in need and experience), *sensory experiences*: (to use sensory input such as, pictures, and sounds before making purchasing decision), *ubiquity*: (to acquire all of consumer's need in line with the time and place wanted by consumers (not producers)), *aggregation*: (to meet a number of services related to consumers in the certain place), *customization*: (to adjust the product in line with consumer's need).

E-mail marketing can be deemed as a tool of electronic marketing (e-marketing). E-mail marketing is included into the group of direct marketing (Kotler, 2005). Direct marketing is direct communication of producer and consumer; it can be by mail, fax, e-mail, or SMS. Direct marketing is defined as 'interaction system that uses one or more advertising media to influence measurable responses, and or transaction wherever the place is' (Lincoln and Van den Bergh, 1990). *E-mail marketing*, therefore, is direct marketing that is managed by online instrument, namely e-mail. According to Kalyanam et.al (2002), e-mail is used for three main functions: The first function is to promote the product, the second function is to give consumer services, and the third function is to accept questions from consumers. The first function is related to promotional e-mail, the second. The third functions are related to service related e-mail. Service-related e-mail is an e-mail received by consumers when a transaction between different parties happens. This e-mail contains information related to the transaction. Therefore, it shows that service related e-mail is more or less specific for different consumers and that promotional e-mail is sent in bigger amount than service related e-mail to all or most of the consumers.

The information processing used in this research model is based on *information-processing model/ ip model* that is written by William J. McGuire (1976). This model is one of the models that based on hierarchy of effects models. Hierarchy of effects models are able to explain internal psychological factor that influence the process of decision making of consumers by making tracks and phases on that process. These models explain that "effects models help to analyze the influence of message and structure goals" (Wells et al, 1998)

In this research, only six main phases of IP model that are used, namely, exposure, attention, comprehension, agreement, retention, and purchase intention. This is based on the research conducted by Sengupta (2005). He connected information processing models with advertising performance, meanwhile, the purchase behaviour variable in McGuire's IP models (1978) is replaced by purchase intention because it should be in line with the influenced variable, namely, purchasing decision in which the replacing is based on consumer decision model stated by Howard, J and Sheth, J (1988) in Zuraida's

writing (2001) in which it is proven that purchase intention influence the real purchasing

METHODOLOGY

This research is descriptive and verifying. The research is descriptive research that aims to obtain a description of the characteristics of variables. Verifying research is research that aims to find relationships between variables through a hypothesis testing.

The unit of analysis in this study were Internet users and SMEs, this research means that consumers and producers to use as observation units. Judging from his time horizon, this study begins with a preliminary study of cross-sectional population information from direct empirically collected, in order to know the opinion of the object being studied, for which further research is time series, namely by measuring the difference between SME performance before and after the advertised via the Internet

The Operation of Preliminary Research Variables

The type of data required for this research is data that directly from the field (primary), and every variable tested needs emphasis in definitive comprehension related to the topic of the research. Therefore, conceptually the confirmation of definition and the operating of every variable can be stated as below:

1. Advertising Program Variable (AP), this variable consists of four indicators namely, Market, Mission, Message, and Medium.
2. E-mail marketing variable (EM); *E-mail marketing* is included into the group of Direct Marketing. This variable consists of two indicators namely, promotional e-mail and E-mail service related.
3. Information Processing Variable (IP); it reflects how the behaviour of Internet users is in processing the information. This process is included into invincible behaviour for other people. This variable consists of six indicators, namely ,exposure, attention, comprehension, agreement, retention and purchase Intension)

- Purchasing decision variable (PD), it reflects how the behaviour of Internet users is in making decision on acquired advertising information. This variable consists of six indicators, namely, range, attention, comprehension, interaction, networking, and purchasing.

The Source of Data and Determination of Data Information

Object of research in this study are divided into two objects, the first is the object of preliminary studies on the benefit of SMEs for product advertising Internet users in Depok. The second object is an object about the benefits of advertising products to increase sales of SMEs products that in this case the object is the SMEs in the region Depok. The selection is done by sampling the data exploration and preliminary observations and interviews (preliminary interviews) with practitioners in the field of the Internet to gather information relating to the scope of advertising through the Internet.

Research Design

Considering this purchase decision is a variable used to measure the advertising performance and the influence the e-mail marketing, the model stated by Champy et.al (1997) need to be modified into range, attention, comprehension, interaction, networking, and purchasing.

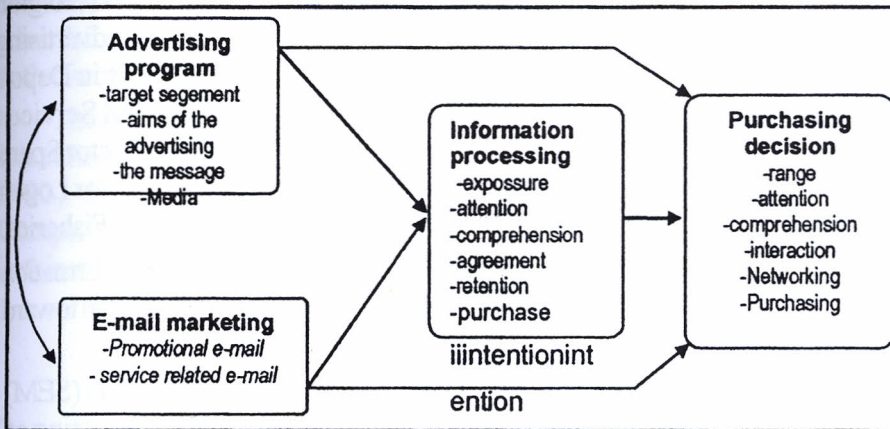


Figure 2 Research Model

In this research model, the advertising program on the Internet and simultaneously e-mail marketing influence advertising information processing of the Internet users. This processing influences the purchasing decision. The Internet advertising program and simultaneously e-mail marketing directly influence the purchasing decision, and indirectly influence it (through information processing). The measurement of advertising performance program on the Internet, e-mail marketing, advertising information processing, and purchasing decision through Internet in this model are measured from consumers' perception.

There is an empiric test on the influence of internet advertising program and e-mail marketing on the information processing and purchasing decision of Internet users in Indonesia. The empirical testing method is done by structural equation modelling (SEM) approach toward primary data of the result of questionnaires that are given to 900 Internet users in Depok.

THE RESULT OF THE RESEARCH

The results of this research is the information technology products that can be used in small business management, both in the interests of business actors and stakeholders interested in the empowerment of small and medium enterprises, in the form of e-marketing portal which is managed by the relevant government institutions and the small business associations in Depok Region with the main features of electronic media effective promotional advertising products for SMEs. Results that have been done show that SMEs in Depok Region can be grouped in various sectors as follows: Trade and Services Sector, Sector building instruments, Paper and Printing Sector, Sector Spare Parts, Chemical Industry Retail, Industrial Sector Household, Sector Logan and Iron Industry, Handicraft Sector (handycraft), Agriculture and Fisheries.

The Influence of Internet Advertising and E-mail Marketing on Information Processing of SME's Products Advertising in Depok and Its Implication toward Purchasing Decision.

The hypothesis testing is done by using Structural Equation Model (SEM) concept with help from computer program AMOS ver. 4.0. The testing of pattern and structure of relation between variables is done simultaneously

and graded in line with the goal and hypothesis of the research. The testing of hypothesis done in this research is:

- The influence of advertising program and e-mail marketing variables on the advertising information processing. (H_1)
- The influence of advertising program and e-mail marketing variables on purchasing decision (H_2)
- The influence of information processing on variable on purchasing decision (H_3)

The relation patterns between variables in this research is arranged and represented as graded and structured. The pattern and structure of the relation of each variable are

- (1) Advertising program and e-mail marketing directly influence the advertising information processing.
- (2) Advertising program and e-mail marketing directly influence on the purchasing decision.
- (3) Advertising program and e-mail marketing indirectly influence the purchasing decision (through the information processing variable).

The result of elaboration that has been done before indicates that advertising program and e-mail marketing influence the purchasing decision both directly and indirectly (through the information-processing variable).

The result of hypothesis is done by comparing the probability value (p), it is stated significant if $p \leq 0.05$ and *critical ratio* ($C.R$) ≥ 1.96 (Ferdinand, 2002). *Degree of freedom* (df) = 183, the t table ($\alpha = 5\%$) is 1.96. Comparison between test results and the cut-off value of each index obtained in this study are presented in the following table.

Tabel : Comparison of Goodness of Fit Index by
Research Model Test Results

<i>Goodness of Fit Index</i>	<i>Cut Off Value</i>	<i>Model Test Result</i>	<i>Criteria</i>
χ^2 <i>chi-square</i>	≤ 215.563244 (df 183, 5%)	193.017	Good
<i>Significance Probability</i>	≥ 0.05	0.291	Good
CMIN/DF	≤ 2.00	1.055	Good
AGFI	≥ 0.90	0.932	Good
GFI	≥ 0.90	0.946	Good
TLI	≥ 0.95	0.963	Good
CFI	≥ 0.94	0.968	Good
RMSEA	≤ 0.08	0.013	Good

Source : AMOS output (processed data)

The results of testing structural equation models (SEM) with the help of the program AMOS version 4.0 in 2χ Table 4.4 shows that the main model of this research has a value of chi-square for the means 193,017 less than the limit of the model acceptance criteria (d" 215.563244) at 183 df and level of significance 5%, with a probability value of significance for 0291 models. This indicates that there is no difference between the sample matrixes with kovarian matrix kovarian estimated population, so it can be concluded that this research model is acceptable. Test results of other indices such as GFI (0946), AGFI (0932), TLI (0963), CFI (0968), RMSEA (0013), provides adequate confirmation that all the variables in the model were well received.

The Influence of Internet Advertising Program and E-mail Marketing of SMEs in Depok on the Information Processing.

The first hypothesis testing is to prove the influence of Internet advertising program and e-mail marketing on the information processing of advertising. The result of the first hypothesis using the structural equation model shows

that advertising program directly influences on the information processing as much as 0.500, with level of significance 5% (P-value is 0.000 or ≤ 0.05), and *critical ratio* (CR) value is 5.835 ($CR \geq 1.96$). Meanwhile, e-mail marketing also directly influences the information processing as much as 0.247, with level of significance 5% (P-value is .067 or ≥ 0.05), *critical ratio* (CR) value is 3.867 ($CR \leq 1.96$). Based on that, it can be concluded that advertising program of SMEs significantly has positive influence on the information processing, however, the e-mail marketing is proven not to have significant influence on the information processing. This is because there is no serious responses on the organization of incoming e-mail to SME's product, so according to the consumers or prospective consumers, they have less information about SME's products.

The Influence of Internet advertising program and e-mail marketing of SMEs in Depok on Purchasing Decision

The second hypothesis testing using SEM is done to prove the influence of Internet advertising program and e-mail marketing on the purchasing decision. The description of the testing result completely displayed on the table below:

Table: The significance of the influence of Internet advertising program and e-mail marketing on purchasing decision.

Notification	Direct Influence	Indirect Influence	Total Influence	CR	P-value 5%
Advertising Program → Purchasing Decision	0.03	0.395	0.425	1.957	0.050
E-mail Marketing → Purchasing Decision	0.5	0.08	0.58	4.475	0.003

The first testing result shows that the direct influence of advertising program on the purchasing decision is -0.202, and the indirect influence is 0.1905 (0.500×0.381). The level of significance is 5% (P-value is 0.050 or ≤ 0.05), and *critical ratio* (CR) value is 1.957 ($CR \geq 1.96$). Based on that it can be concluded that advertising program significantly influence the purchasing

decision directly. This shows that the Internet advertising program has not been able to influence the purchasing decision of consumers and prospective consumers that have visited the SME directly and indirectly. This is because one or some of elements in advertising program namely, message, media, budget, and the measurement of SMEs in Depok has not been designed well to influence the purchasing decision.

E-mail marketing directly influence on the purchasing decision as much as 0.03, on the other hand the indirect influence as much as 0.128 (0.79×0.50). The level of significance is 5% (P-value is 0.050 or ≤ 0.05), and *critical ratio* (CR) value is 1.957 ($CR \geq 1.96$). Based on that, it can be concluded that e-mail marketing significantly influence the purchasing decision both directly and indirectly.

The Influence of information processing on Purchasing Decision

The third hypothesis testing is done to prove the Influence of information processing on purchasing decision. The result shows that information processing directly influence on purchasing decision as much as 0.50, with level of significance 5% (P-value is 0.022 or ≥ 0.05), and *critical ratio* (CR) value is 2.286 ($CR \leq 1.96$). Based on that, it can be concluded that information processing of consumers or prospective consumers is not proven to have positive influence on purchasing decision.

CONCLUSIONS

First, the result of the analysis and discussion shows that based on the point of view of Internet users, Internet advertising program of SME's products in Depok area significantly has positive influence on the information processing; in contrast, e-mail marketing is not proven to have real influence on information processing. This is because the incoming e-mail to the food industry does not have serious response from consumers.

Second, the perception of Internet users about Internet advertising program and e-mail marketing done by SMEs in Depok area shows that Internet advertising program is proven does not influence the product purchasing decision of consumers or prospective consumers that have visited

the food industry websites both directly and indirectly. This is because one or some of elements in advertising program namely, message, media, budget, and the measurement of SMEs in Depok area has not been designed well to influence the purchasing decision.

Third, the result shows that information processing of consumers or prospective consumers of SME' in Depok is not proven to have influence on the purchasing decision. This is because e-mail marketing of SMEs does not influence the information processing of advertising, besides that the advertising program has negative influence on the purchasing decision of consumers. If the two variables are improved, the information processing of advertising of SME in Depok will be better and in the end, it will increase the purchasing decision,

SUGGESTIONS

First, the result of this research generally shows that Internet advertising program and e-mail marketing of SME's product in Depok is not proven able to influence the purchasing decision of consumers. Therefore, it is important to do some improvement to advertising program elements namely, the goal, messages, media, fund, and measurement by SMEs in Depok.

Second, the result of testing and analysis shows that information processing does not have positive influence on purchasing decision. Based on that, in designing advertising program e-mail marketing, it is important to notice that the design should aim to influence the process of advertising exposure, to get consumers attention, to make the comprehension easier for the consumers, to get agreement from the consumers on the advertising to support consumers, so they will be able to remember the advertising and to push the consumers' purchasing intention.

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