Digitalisasi UMKM - Kunci Pertumbuhan Inklusif Perekonomian Indonesia
Problem Statement & Introduction
Objectives of the Study

1. Explore how digitalization can promote **inclusive growth** through UMKM empowerment

2. Identify issues faces by online and offline UMKM

3. Explore **UMKM contribution** to Indonesia's macroeconomy
Research methodology

In Depth & Face to Face Interview

- Respondent & questionnaire screening
- Mapping on UMKM problem & challenges

Analysis & Reporting

- Reporting
- Analyzing results
- Secondary Analysis on how Blibli contribution towards national economy

Dissemination

- Our focus today
- Exploration on how Blibli push towards inclusive growth
UMKM is the main pillar for the Indonesian economy, accounts for 99% of businesses and 60% of GDP.

99% of Indonesian Businesses are UMKM

Contributing to ~60% of Indonesia's GDP

Source: Kementerian Koperasi dan UKM
The COVID-19 Pandemic has had a negative impact on the overall Indonesian economy, including the UMKM.
UMKM Overview
Growing UMKM is a critical element to provide a vehicle for inclusive growth in Indonesia

77% UMKM employ their local communities while the rest works alone

46% view their UMKM as their main source of income

Teks pertanyaan: Apakah anda memiliki karyawan untuk mengelola UMKM Anda? (N = 340)
Sumber: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM "Inclusive Growth Towards Sustainable Development" Kompas Data pada Juni 2021
Most UMKM involve their local communities to fulfill their aspiration to empower local human resources and reduce unemployment.

57% of UMKM involve their local community to operate business.

% of UMKM that employs their local community:
- Not Involve: 43%
- Involve: 57%

UMKM operates while believing in:

5 Core Aspirations

- Empower Local HR: 76%
- Reduce Unemployment: 69%
- Reduce Working Travel Distance: 45%
- Inspire New Businesses: 19%
- Skill Regeneration: 18%

Teks pertanyaan: Dalam menjalankan usaha ini, apakah Anda juga melibatkan orang-orang di sekitar lingkungan Anda? Apa yang menjadi alasan Anda melibatkan orang di sekitar lingkungan Anda? SIAPA saja pihak yang mendapatkan hasil atau dampak positif dari usaha yang Anda jalankan saat ini SELAIN KELUARGA ANDA (N =340)

Sumber: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM “Inclusive Growth Towards Sustainable Development” Kompas Data pada Juni 2021
Reflecting from their work and values, UMKM believe that they have created real positive impact for their community.

67.5% of respondents believe that their UMKM gave positive impact to community.

Quotes:

- Saya bahagia ketika pekerja saya makin sejahtera. Di tempat saya, ada yang jadinya bisa kuliah, beli motor, cicil rumah, dan menambahkan skill. (UMKM Batik - Jakarta)

- Kelompok aktivis mengundang saya untuk memberi edukasi ke pemuda non-aktivis lingkungan. (UMKM Plastik Ramah Lingkungan - Jakarta)

UMKM's social capital amplifies its success to many people

Community Connector
Involve friends and family network for sales and market information

Local Provider
Sells product locally despite having goals in export

Local Job Creator
Contribute 1-5 jobs to the job market

Community Builder
Involve local neighborhood to empower human resources

UMKM believes their social activities bring positive impacts to their community by creating job and business opportunities

UMKM's contribution to develop the local community's human resources and economy becomes a strong social capital base.

This social capital is an integral part of Indonesia's UMKM development as it includes

- Togetherness (Kebersaman)
- Community Involvement (Pelibatan Lingkungan Sekitar)

Sumber: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM "Inclusive Growth Towards Sustainable Development" Kompas Data pada Juni 2021
Gov. support for UMKM
Access to capital & ease of business are the key concerns of UMKM with additional pressures worsened by Covid-19

Most UMKM are concerned about...

<table>
<thead>
<tr>
<th>Concern</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Capital</td>
<td>56%</td>
</tr>
<tr>
<td>Ease of Business</td>
<td>31%</td>
</tr>
<tr>
<td>Tax Regulation</td>
<td>13%</td>
</tr>
<tr>
<td>Restrictive Policies</td>
<td>15%</td>
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<tr>
<td>Trainings</td>
<td>6%</td>
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<tr>
<td>Others</td>
<td></td>
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</tbody>
</table>

UMKM face added pressure during the pandemic through:
- Decrease in Demands
- Increased Costs of Raw Materials
- Restrictive Policies
- Disturbed Distribution Process

Majority of UMKM (56%) are satisfied with the government's programs, however, more can be done especially in the areas of skill training and legality assistance.

56% of UMKM are satisfied by the government's UMKM programs

Satisfied 56%
Not satisfied

Top 5 Government Programs with Lowest Satisfaction Rate
- Skill Training: 64%
- Certification Process: 42%
- Operational Assistance: 37%
- Capital Loan and Financial Assistance: 33%
- Marketing and Promotion: 19%

"Saat ini sulit sekali buat pengusaha untuk mencari pegawai yang berkualitas [...] baik dari segi hard skill maupun soft skill." (UMKM Batik - Jakarta)

"Cuma satu dari kita pengusaha yang sebenarnya diperlukan: bank dengan pinjaman bunga dengan relatif rendah." (UMKM Beras- Surabaya)
Online UMKM are more aware of the government's supporting policies and are 1.2 times more satisfied of government support

... with 1.2 times higher satisfaction to government policies due to better use of these programs

"Saya menikmati dalam hal pembuatan sertifikat halal; perdagangan saya difasilitasi terus." UMKM Kecap - Bogor on license and training policies

"Kebijakan pemerintah untuk menurunkan suku bunga dan tidak harus membayar cicilan bank sangat membantu." UMKM Batik - Jakarta on tax reduction and exemption
Digitalization Benefits
High operational costs and other root causes, worsened by the COVID-19 situation, highlighted the need for digital sales channel.

3 Main Issue of UMKM faced:
- High Operational Costs
- Difficult to Drive Revenue Growth
- Competitive & Scale Barriers

Worsened by COVID-19 situation:
- Reduced Sales Volume
- Shrinking Capital Resources
- Distribution Bottlenecking

Digitalization will enable UMKM to gain revenue & cost optimization:
- Reaching national/global audience
- Reduce significant operation cost
- Optimizing transaction process

Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
Online UMKM able to earn 1.1x higher revenue compared to offline from sales geography expansion combined with other benefits...

More Revenue

Expand sales geography

More likely to sell goods nationwide

Reduced cost of operation

More likely to export abroad

Optimized transaction process

%UMKM who sell nationwide/abroad

Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
... and are also more likely to involve their local community by hiring more people from their community

- Population of UMKM involved in their local community: 53% Offline, 58% Online
- Population of UMKM who hire employees: 64% Offline, 84% Online
- Average number of employees: 1.5 Offline, 2.0 Online

Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
Benefit of digitalization will be further expanded through multiplier effect impact to related businesses and local community

**Direct impact**

1. **Increase revenue by 1.1x**

**Digitalization**

Sample case:
1. An F&B Toast UMKM can increase its revenue and attain success by selling premium toast on e-commerce

**UMKM**

Setelah online, omset saya naik 10%. (UMKM Beras - Surabaya)

**Indirect impact (Industry multiplier)**

2. Toast UMKM need to buy more bread from other bread UMKM
The bread UMKM will then need to buy more flour to other flour UMKM

**Induced impact (Non-revenue multiplier)**

3. The successful toast UMKM will open new branches, hiring more people and creating new UMKM

**Multiplier impact to GDP**

1. **1.7x** Industry multiplier

2. **1.3x** Non-Revenue multiplier

Note: Non-revenue multiplier (job creation, etc.) of 1.3x and industry multiplier of 1.7x resulting in 38 Bn USD uplift potential
Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data, Bappenas, BCG Analysis
Benchmark: Countries with one of the highest SME digital maturity level are also trying to further boost digital capability with government initiatives.

**China**

- **US$ 0.9 Tn**
- By 2024, potential uplift from SME digitalization
- Increase SME digitalization from: 48% → 78%

**Several selected government initiatives:**
- The 13th Five Year Plan on Digital Capabilities
  Build a comprehensive road map to build digital capabilities and promote adoption of new tech
- SME Online service by NDRC
  Provide diverse services to empower SMEs digital transformation and develop digital business model

**Japan**

- **US$ 0.3 Tn**
- By 2024, potential uplift from SME digitalization
- Increase SME digitalization from: 54% → 84%

**Several selected government initiatives:**
- **IT introduction program**
  Subsidy to introduce IT to enhance operations efficiency, ranging from 0.3 to 4.5 Mn Yen
- **Monodzukuri subsidies program**
  Subsidy for equipment investment expenditure, ranging from 1 to 10 Mn Yen

Source: Cisco and IDC 2020 Asia Pacific Digital Maturity Study, Note: Adjust potential uplift to represent 20% SME digitalization growth
Digital platforms can help unlock UMKM's potential and drive inclusive growth in Indonesia with estimated uplift of 38 Bn USD by 2024

A potential uplift up to US$ 38 Bn by 2024, from increasing SME digital literacy from 20% to 50%

**Easy & wide access to capital**
Leverage data from digital platforms to grow and accelerate capital lending programs

**Adequate Digital Literacy**
Get more UMKM online by providing education on digital platforms and collaborating with industry players

**Streamlined business policies**
Create programs like 'high speed' lanes for UMKM permits & policies who are going digital

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Note: Assume additional 19.2 Mn SME with digital literacy with 10% revenue uplift of 13 Mn from our study, times non-revenue multiplier (job creation, etc.) of 1.3x and industry multiplier of 1.7x resulting in 38 Bn USD uplift potential.

Source: Laporan Hasil Survei Kuantitatif (P2F) Survei Pemberdayaan UMKM, Kompas Data, Bappenas, BCG Analysis
Increasing Digital Penetration
Most of UMKM are already aware of E-commerce presence...

74% of UMKM aware of E-commerce and their different types

<table>
<thead>
<tr>
<th>E-commerce Mentioned by Respondents</th>
<th>% Aware</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shopee</td>
<td>92%</td>
</tr>
<tr>
<td>tokopedia</td>
<td>85%</td>
</tr>
<tr>
<td>Lazada</td>
<td>85%</td>
</tr>
<tr>
<td>Bukalapak</td>
<td>78%</td>
</tr>
<tr>
<td>blibli</td>
<td>73%</td>
</tr>
<tr>
<td>Others</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
20% Digitally literate and able to use E-commerce

... but only few are digitally literate and able to go 'online'

Potential benefit of using e-commerce

- Effective Promotion
- Wider network
- Increased revenue
- Secured transaction

1. Having ability to find, evaluate, and clearly communicate information through typing and other media on various digital platforms.
Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
UMKM still uncertain about adopting e-commerce

<table>
<thead>
<tr>
<th>Reason</th>
<th>% of reasons</th>
</tr>
</thead>
<tbody>
<tr>
<td>Limited capital to expand business online</td>
<td>28.8%</td>
</tr>
<tr>
<td>Lack of digital literacy</td>
<td>27.0%</td>
</tr>
<tr>
<td>Insufficient tools &amp; device</td>
<td>10.8%</td>
</tr>
<tr>
<td>Not knowing the procedures</td>
<td>7.8%</td>
</tr>
<tr>
<td>Lack of labor</td>
<td>4.8%</td>
</tr>
<tr>
<td>Others</td>
<td>20.7%</td>
</tr>
</tbody>
</table>

1. Weighted average on proportion of respondents mentioning one of these reasons

Source: Laporan Hasil Survei Kuantitatif (F2F) Survei Pemberdayaan UMKM, Kompas Data
UMKM using e-commerce quickly learn about building a **brand identity**, which includes creative **product packaging design**

“My first priority was to upgrade from basic, clear pouches to eye-catching, modern packaging that would appeal to customers and serve to properly secure the jengkol chips during shipping.”

_Imas Mintarsih_, Owner of Oyoh Jengkol

**The Story:** Imas of Sumedang, West Java, won 3rd place at The Big Start Season 2, Blibli’s annual creativepreneurship competition. The competition helped improve her jengkol chips, from expanding the flavor selection to designing a suitable product packaging. Her aim was to make Oyoh Jengkol truly fit for market, therefore able to compete in the fierce snack market.
E-commerce: a platform through which UMKM may promote and distribute products that embody local wisdom and culture

“Sarifood Indonesia is passionate about natural honey. We work with bee farmers in Sumbawa to distribute organic honey via e-commerce because we want to redirect the market away from artificial products. Consumers deserve to enjoy the superior benefits of real, local honey.”

Saryo, Owner of Sarifood Indonesia

The Story: Saryo of Banjarnegara, Central Java, works with Blibli to leverage the potential of e-commerce to promote products that contain local wisdom. Indonesia has a rich culture of bee farming and honey harvesting which the market must support.

Source: UMKM sellers from Blibli
E-commerce teaches UMKM that compliance to industry standards and certifications gives them a foundation to develop their businesses further.

“We have obtained the required documents, from halal certificates to export permits for the USA, because we know that they are the key to seriously expanding in both local and international markets.”

Sri Yuliastuti, Owner of Rendang Uni Tutie

The Story: Sri of Bukit Tinggi, West Sumatra, partners with Blibli to fulfill the growing market demand for ready-to-eat meals with Uni Tutie’s vacuum-packed rendang. Securing the necessary certificates is crucial for food & beverage UMKM intending to meet strict, local and export regulations concerning F&B.

Source: UMKM sellers from Blibli

Rendang Uni Tutie’s ready-to-eat rendang
Blibli’s seller tools help UMKM optimize and become more efficient

<table>
<thead>
<tr>
<th>Digital Vouchers</th>
<th>Description</th>
<th>Usage examples</th>
<th>Sales impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UMKM sellers issue promotional codes to attract new customers and trigger purchases</td>
<td>Soy Day uses the flexibility of the digital voucher system to set promotions for the last half of every month</td>
<td>+3X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Digital Ads</th>
<th>Description</th>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UMKM sellers utilize targeted digital ads, such as Blibli’s Bliklan, to promote their brands and products among potential customers</td>
<td>Durian Kepo utilizes Bliklan to attract online customers who shop intensively during the social mobility restrictions</td>
<td>+5X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flash Sales</th>
<th>Description</th>
<th>Usage examples</th>
<th>Sales impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UMKM sellers participate in Flash Sales to obtain a spot on the website and application’s frontpage, besides drive sales</td>
<td>Odriigo Indonesia has repeatedly sold out their fashion apparel through their participation in flash sales</td>
<td>+10X</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Broadcast Chat</th>
<th>Description</th>
<th>Usage examples</th>
<th>Sales impact</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UMKM sellers directly share updates on their latest products and promotional offerings to recurring and potential customers</td>
<td>Piyama Indonesia raised awareness on its brand when it first joined e-commerce through the chat feature</td>
<td>+5X</td>
</tr>
</tbody>
</table>

Source: UMKM sellers from Blibli
Government and E-commerce partnerships help to catalyse UMKM’s digital awareness (1/2)

Bangga Buatan Indonesia

- Multi-sectoral campaign by the Indonesian Government aimed at bolstering the UMKM sector during the pandemic
- Blibli, a long-time supporter of UMKM, involved business and government partners in conducting initiatives, from sales festivals to workshop, to encourage UMKM
- More than 130,000 UMKM gained the benefits of BBI x Blibli!

Kakak Asuh UMKM

- Blibli partnered up with SMESCO Indonesia to carry out this trainer of trainers initiative
- Promising UMKM received mentorship and training on digital entrepreneurship. Once adept, these UMKM then shared their know-how with their UMKM peers
- 234 UMKM enhanced their digital business knowledge and capabilities through Kakak Asuh UMKM!

Source: UMKM sellers from Blibli
Government and E-commerce partnerships help to catalyse UMKM's digital awareness (2/2)

3 Kampus Merdeka

- Blibli supports the Kampus Merdeka program by Kementerian Sekretariat Negara to close the gap between education and industry, with regards to students’ work readiness
- Blibli contributed to the 6-month curriculum under Universitas Gadjah Mada. Bachelor’s and master’s degree students, besides professionals, can enrol in the program
- Students then become mentors for the Kakak Asuh UMKM to gain real-life experience in planning and implementing business strategies

4 Blibli Mitra

- An omnichannel initiative that connects online UMKM with offline, micro businesses, namely the toko kelontong, or small neighbourhood stores, in the Blibli Mitra network
- Through Blibli Mitra, online UMKM gain a new distribution channel as they now can supply their products to the offline stores. In return, the offline stores expand their product selection to include local product
- Blibli Mitra boasts a strong number of engaged sellers, with an active seller ratio of 85%
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