# Designing Online Marketing For SME (Organic Food Case Study)

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Abstract: Organic food consumption in the world tends to grow each year along with the increasing public awareness on health. This positive trend also happens in Indonesia. Nevertheless, many producers of organic food in Indonesia face problems in market their products. Most of them are SMEs so they have limited financial resources for conducting marketing activities. Therefore, they need kinds of marketing program that can be run at a low cost but reach a wide range of audience. Online marketing meets these requirements. Nowadays, the role of online commerce in increasing organizations' profit is growing each year. Organizations spending on online marketing is also increasing as media buyers adjust to online world while other media advertisement spending keep falling or remain constant each year. Nevertheless, the online marketing effort should be designed in a way that will deliver value to both the organization and its customers. Several SMEs in Indonesia have adopted online marketing program but they do not enjoy its maximum benefit. Even worst, they just ignore or stop their online marketing activities. One form of online marketing is a website creation program. This study is intended to investigate the characteristics of online marketing activities and website that will enhance the customers' intention to buy. Several steps are taken. First step, we identify characteristics of online buyers in general in Indonesia. Then, based on their similarities and differences, we group them into several segments. Second step, we identify potential segment suitable to be targeted by organic food producers. At the end, we identify the online marketing activities and the technical characteristics of website that match with the profile of the selected segment.

Total 686 valid data are collected out of 688 data gathered using an online questionnaire. The questionnaire's URL is being spread through several online social media. Factor analysis is used to analyze the data and the result shows there are six factors that influence online purchase intention, namely ease-of-use, website integrity, customer communication, word-of-mouth, transaction security, and perceived usefulness. Then, cross tabulation and cluster analysis is conducted to obtain segments and their profiles. This study shows that potential online shoppers could be grouped into three segments based on behavioral variables (online buying frequency and spending, and payment method) and psychographic variables. For the organic products, the potential target is professional-shopaholic group,, the segment with buyers who have high frequency on online shopping and relatively large number of online financial transaction. These characteristics are then translated into technical characteristics of organic food online marketing activities and website in order to increase visitors' intention to buy. At the end, this paper is also describes the implementation of the study result by analyzing an existing processed organic food producer.

**Keywords:** intention to buy, online marketing, online shoppers, organic products, website

#### Introduction

his study concentrates on organic foods, defined as foods cultivated in the country and nurtured organically without any artificial substance, including the foods processed from them [1]. This definition is chosen because the negative effects of non-organic food to human body are already proven in previous studies [2]. In

addition, organic foods, especially agricultural products, are raw materials for other organic products such as cosmetics. Organic food consumption in the world tends to grow each year along with the increasing public awareness on health. This positive trend also happens in Indonesia. Nevertheless, many producers of organic food in Indonesia face problems in market their products. Most of them are SMEs so they have limited financial resources for conducting marketing activities.

Moreover, organic food has its own characteristics, which is a challenge in marketing the product. Two main factors that greatly weaken the positioning of organic products in comparison to non-organic products are price and lack of tangible benefits. Benefits of organic products, such as effect on health, are not attainable or immediately perceived by customers after consumption. The benefits only become effective over time. Hence, such benefits are often referred to as intangible benefits. Moreover, organic products in general have higher price tags than their non-organic competitors due to the higher price of raw materials and the more complicated processes involved. This combination of higher price and intangible benefits relegates green products to an inferior position compared to their competitors in the customer's decision-making process [3].

Therefore, they need kinds of marketing program that can be run at a low cost but reach audience, which are numerous but in accordance with the target. Online marketing meets these requirements. Online marketing has the advantage of having a relatively low investment cost, ease of use, extensive network coverage, acceleration of dissemination and collection of information as well as search for potential business partners [4].

Nowadays, the role of online commerce in increasing organizations' profit is growing each year. Online promotions has an influence on digital transactions significantly. Along with the increase of internet users of the facility, the number of online shoppers in Indonesia is increasing every year [5]. Organizations spending on online marketing is also increasing as media buyers adjust to online world while other media advertisement spending keep falling or remain constant each year. Nevertheless, the online marketing effort should be designed in a way that will deliver value to both the organization and its customers.

Many SMEs in Indonesia have adopted online marketing program, however, some of them are not yet optimally utilize online marketing. Even worst, they just ignore or stop their online marketing activities. One form of online marketing is a website creation program. According to [6], consumer decision on purchasing or consuming a certain product is made through several stages. They are introduction of needs, information search, and evaluation of alternatives, purchase decision and post-purchase behavior. Attractive web site content will help consumers in the stage information search and evaluation of alternatives which led to the decision of purchasing the product. [7] argue that the content displayed on a page promotion is a significant factor in affecting consumer buying decisions. Moreover, thorough information could enhance customers' perception of green product benefit and its economic accessibility [8].

This study is intended to investigate the characteristics of a website that will enhance the customers' intention to buy. Several steps are taken. First step, we identify characteristics of online buyers in general in Indonesia. Then, based on their similarities and differences, we group them into several segment. Second step, we identify potential segment suitable to be targeted by organic food produces. At the end, we identify the technical characteristics of website that match with the profile of the selected segment.

# Research methodology

There are three elements that affect consumer behavior in the approach to the new consumer behavior (neobehaviouristic approach): S-O-R. S (Stimulus) represents stimulus received by consumers, O (Organism) describes the information processing performed by the respondent based on stimulus received to generate R (Response). The response can be either a decision to buy or not to buy a product [9]. Stimuli that have most influence on the decision to buy is the perception of consumers [10]. Therefore, this study discusses how to create a perception in the minds of consumers regarding organic products that can maximize purchasing intentions, especially the perception formed through online marketing.

At first, a company should be able to study the existing market and select the segments that will be the market base in competing with competitors and setting market position. In fact, a company cannot serve all customers in the market because consumers are varied. Market segmentation is an activity of grouping heterogeneous market into a more homogeneous market in terms of interests, purchasing power, geographical, purchasing behavior, and lifestyles [11]. Segmentation has an important role in the design of the company's strategy because it helps the company to be more focused in allocating resources. In addition, segmentation can also give an idea about the consumer characteristics that assist companies in fulfilling the needs and desires of consumers.

Market could be divided into several segment based on the following variables [11]:

- Geographic Segmentation
  - Market is divided according to different geographical conditions, such as country, region, city, or region.
- Demographic Segmentation
  - Market is divided according to different demographic variables such as gender, age, occupation, income, education and religion
- Psychographic Segmentation
  - Market is divided according to different social class, lifestyle, or individual psychological characteristics.
- Behavioral Segmentation
  - Market is divided according to different knowledge, behavioral, or response to a product.

After segmentation process, the next step is to evaluate these segments and decide which segment is the target market. In evaluating market segments, there are several factors to be considered, namely the growth of the segment, the segment size, the attractiveness of the market, the company's goals, and the resources of the company.

Projections of growth of sales and the expected profit margin of each segment are also should be analyzed by the company. In addition, it should be considered also whether there are potentially unique characteristics of a segment. Another consideration is whether the investments made for the selected segment makes sense to consider in terms of the objectives and resources of the company.

Selected target market is a group of consumers with similar characteristics and becoming the focus of the company. There are several options in selecting target market, they are [11]:

a. Undifferentiated Marketing

In this strategy, the company ignores market segments that form and will design a marketing strategy for all existing customers.

b. Differentiated Marketing

The company chooses some market segments and designs a marketing strategy for each selected segment.

c. Concentrated Marketing

In this strategy, the company will choose the segment with the largest market share. This strategy is suitable if the company's resources are limited.

After the company decides its target market, the next step is called positioning. Positioning is consumers' point of view about a brand or product and that what distinguishes it from its competitors [11]. In addition, the positioning is also used to build trust, confidence and competence of the company in the eyes of consumers. The position of the product can be determined based on the product attributes, time of use, the product benefits, comparison with competitor products or classes of product quality.

This study uses demographic, psychographic and behavioral variables for segmentation basis to obtain the advantages of each variable. The use of demographic and psychographic variables together in segmentation can increase the degree of model predictability [3]. Habits in shopping online can be classified into behavioral factors. Therefore, the behavioral variables will also be used to include the online shopping habits factors. While geographic variables is not included in this study because, according to [13], the characteristics of online shoppers do not vary significantly between regions in Indonesia and there are no indication of different preferences and special needs by region.

Demographic variables are operationalized into gender, education level, and occupation. Behavioral variables have five operational variables, namely the frequency of online shopping, goods purchased online, online transaction amount, types of online shopping sites most commonly used, and the method of payment. Psychographic variables are operationalized based on former researches. The dependent variable in this study is purchase intention. The complete variables of this study can be seen in the Table 1 below.

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Variable Category	Indicator Variables
Demographic	Age
	Gender
	Education
	Occupation
Psychographic	Trust
	Website Informativeness
	Ease of Use
	Interactive Speed
	Perceived Usefulness
	Aesthetics
	Transaction Security
	Customer communication
	Word of Mouth
	Online Purchase Intention
Behavioral	Online shopping experience
	Online shopping frequency
	Goods bought via Online
	Nominal transaction in
	online shopping
	Type of website used in
	Online shopping
	Payment method

**Table 1:** Segmentation Variables

Demographic and behavioral factors use nominal scale, while psychographic factor uses ordinal scale. Descriptive data analysis is used for the three factors. For psychographic factor, data is then analyzed using the variable reduction factor analysis Principal Components Analysis (PCA). Sometimes, there are constructs which are similar to each other. This similarity can lead to misrepresentation (misleading conclusion) by the respondent. By doing PCA, similar variables will be joined to form a number of factors that could explain the maximum variance of the data collected [14].

The results of the factor analysis would be independent variables that affect the dependent variable, which is online purchase intention. Hypotheses are determined and tested using the Pearson correlation test.

The next step is determination of variables that will become the basis of a cluster analysis grouping. These variables are variables that are either independent or have the least relationship with other variables. To identify these variables, a bivariate correlation analysis is performed. Variables that have the smallest correlation value are variables chosen as the cluster analysis basis.

Once segments are formed, one or several potential segments that will be served are chosen due to limited resources. One method to determine which market segments will be targeted is the RFM (Recency, Frequency, Monetary Value) modeling. RFM approach gives value to each segment based on their purchasing behavior, not on the basis of demographic characteristics. RFM models can be applied to various types of products by considering three factors [15]:

- 1) Customers who have recently purchased a product, have a tendency to repurchase (R, recently),
- 2) Customers who purchase high frequency has a tendency to repurchase (F, frequency)
- 3) Customers who spend relatively a lot of money (in a certain period of spending) have a tendency to repurchase (M, monetary value).

Implementation of RFM model is by providing value to each measurement indicator in terms of recency, frequency and monetary value. Segment which has the greatest total value is chosen as a target market.

Then, market positioning is determined using brand linkage method, which is associating the brand with existing market leader and adding incremental changes. According to [15], this strategy is suitable to be applied by SMEs

especially if it delivers the same benefits and offering cheaper products. After that, a tagline is set out to lock the image of the products in the minds of consumers and differentiate products from competitors [15].

The final step is identifying the characteristics of online marketing and website that are suitable with the market positioning and the characteristics of consumers targeted.

#### Data collection and analysis

Data is collected using an online questionnaire. An online questionnaire was made in Googleform with links that have been shortened to http://bit.ly/berbelanjaonline. The link is disseminated through social media. To obtain the characteristics of respondents are more diverse demographically, the data collection is done using written questionnaires as well. The amount of data collected is 686 data.

The result for descriptive analysis can be seen in Table 2. Measurement used for central tendency of the data is mode, which is the value that most frequently arise.

Variable Category	Indicator Variables	Modus
Demographic	Age	18 s/d 23 years old
	Education	Undergraduate student
	Occupation	Student
Behavioral	Online shopping experience	
	Online shopping frequency	At any given time
	Goods bought via Online	
	Nominal transaction in	IDR 100.001 s/d
	online shopping	IDR 200.000
	Type of website used in	Media Sosial
	Online shopping	
	Payment method	Bank Transfer

**Table 2:** Modus of Measurement Variables

For psychographic data, validity test is conducted using the construct validity test of Pearson Product Moment Correlation. For a sample size of 686 and with a significance level of 5%, r value is 0.0749. All of the correlation value is above 0.0749, so it is concluded that the questionnaire is valid. Reliability test questionnaire was conducted with Cronbach Alpha test. This questionnaire has alpha value greater than 0.7 so that it can be concluded that this is reliable.

KMO value of 0924 (already exceeded 0.5) indicates that the sample size has been fulfilled. Factor analysis in this study aims to find the factors that can explain the correlations among sets of variables to be used as a basis to segment the market. Eigenvalues are used as the basis to reduce the item. Eigenvalues describe the amount of variance explained by a factor. Therefore, the factors extracted limited to factors with eigenvalues greater than 1. In this study, the eigenvalues greater than 1 is only up to a factor of seven. Then, maximum of seven factors will be established. By extracting seven factors, cumulative variance is 63 824% or above 60%. Limit of 60% is the minimum threshold value of the cumulative variance for social research [16]. This study considered the social research because it involves people's preferences (human).

Factor rotation using varimax is conducted and resulted in 14 variables variance unexplained because of their loading factor less than 0.70. Therefore the 14 variables were excluded because they are already explained by other variables. At the end, factor analysis for psychographic data generates seven factors, namely Ease of Use, Website Integrity, Customer Communication, Word-of-Mouth, Transaction Security, Perceived Usefulness and Purchasing Intention.

Then, the analysis of the correlation between the factors that influence online purchasing intentions (word-of-mouth, website integrity, ease-of-use, perceived usefulness, transaction security, and customer communication) is conducted. Correlations were calculated using bivariate correlation coefficient / Pearson product moment. This coefficient measures the closeness of the relationship between the observed results of the population, which has two variants (bivariate). The result shows that all these factors indicate a positive relationship to online purchase

intention. The higher consumer preference on six factors, the higher the consumer intention to buy online. Moreover, significance for the sixth factor indicates a value less than 0.0001, meaning that there is a relationship between the six factors formed from factor analysis with the intention of purchasing online.

Furthermore, cluster analysis is conducted to agglomerate the data into groups based on common characteristics of these objects with other objects to form a homogenous group. Grouping in this study is using a Hierarchical Method (by using Ward's Distance) and nonhierarchical Method (K-Means Clustering). Validation will be done by comparing the results obtained from the hierarchical cluster with nonhierarchical cluster in order to find out how many clusters that should be used. Evidently, three grouping clusters have more in common on the results of both methods. Therefore, three clusters will be used and it can be concluded that the cluster analysis is valid.

In order to be able to identify the identification variables of each segment, cross tabulation analysis (cross tabulation) is performed. From the analysis, it can be seen that all psychographic variables associated with the three clusters. Each cluster has a distinct preference for all of the psychographic variables when compared to other clusters. On the other hand, no demographic variables are significantly different between the three clusters. For behavioral variables, only one variable is not significantly different. Then, the psychographic and behavioral characteristics of each cluster are identified by calculating the mean concentration of each significantly different variable.

Consumer profile of each segment based on descriptive statistic can be seen in the table below.

Variable **Indicator Variables** Segment A Segment B Segment C Category (47%)(43%)(10%)18 s/d 23 years 18 s/d 23 years Demographic 18 s/d 23 years Age old old old 65% woman 60% woman 71% woman Gender Undergraduate Undergraduate Undergraduate Education 61.7% Student 67.9% Student 84.1% Student Occupation Behavioral Organic products 25% ever bought 26% ever bought 22% never organic products organic products bought organic shopping products experience 62% not routine 70% not routine 77% not routine Online shopping 18.7% more than 11.1% only once 18.8% only once frequency once in 2 months Goods bought via 79% electronic 67% electronic 79% electronic Online devices devices devices 45.1% IDR 41.89% IDR 60.87% less than Nominal 100.000 -100.000 -IDR 200,000 transaction in 300,000 300,000 online shopping 22% more than IDR 500,000 Type of website 40% in social 41% in social 42% in social used in Online media media media shopping 68% bank 80% bank 60% bank transfer transfer transfer Payment method 20% internet 19% cash on

 Table 3: Consumer Profile of Each Segment (Modus base)

Note: shadow indicates no difference between the three segments

Segment A mostly concerns with the variable 'confidence in the information', then the variable 'protection against customer's identity information', 'protection against misuse of customer information illegally' and 'confidence in the product'. It means that Segment A considers that the security of transactions and the truth of information as the main consideration in buying online. Furthermore, this segment also concerns on 'accurate information about the product'. Seven variables that have the greatest average value all concern about trust and security. This segment also

banking

delivery

has the highest online purchase intentions compared to the other two segments. Segment A will be named professional-shopaholic group. Segment B has relatively high preferences on Ease-of-Use and Word-of-Mouth, and has online purchase intention lower than Segment A. The average value of the four indicators of Online Purchase Intention are still above the value of 3.5 (half of the maximum value 7). Based on the characteristics that have been disclosed, segment B will be named mediocre-buyer group. Segment C has a high priority to the variables Ease-of-Use and perceived Usefulness, and has Online Purchase Intention relatively low compared to the other two segments. Segment C will be named carefree-frequent buyers group.

The above three cluster basically represent three segment existed in the market. Based on these, evaluation is done to choose which segments will become potential target market. As already stated in the former section, segment selection method to be used is the RFM (recency, frequency, monetary value) modeling developed by Lilien et al. [15]. There is no fixed rule regarding scoring and ranges between levels of response. The cornerstone in scoring is that there should be a level that gets the highest points and the other levels that obtain the lowest point. The level of response that has higher points should be eligible to be selected. After the stage of awarding points to variable RFM, then each segment is assessed. The trick is by multiplying the proportion of respondents whom choose certain response in each measurement item with the associated RFM score that have been outlined before (for example, see Table 4). RFM total value derived from the sum of the value of the three indicators for each segment. Based on the calculation, it is known that the segment with the highest total value of RFM is segment A with a value of 86.61 followed by a segment B which has a total value of 81.01 and last segment is segment C with a total value of 69.08. Therefore, it is decided that the most viable segments to be selected as the target market is segment A.

Table Error! No text of specified style in document.. RFM Point for Monetary Value Category

Indicators	Measurement Scale	Point
Average nominal transaction in online shopping for a month	Above IDR 500,000	60
	IDR 400,001 – IDR 500,000	50
	IDR 300,001 – IDR 400,000	40
	IDR 200,001 – IDR 300,000	30
	IDR 100,001 - IDR 200,000	20
	IDR 20,000 - IDR100,000	10
	Less than IDR 20,000	5

#### **Results and Discussion**

Three segments are revealed in this study, namely professional-shopaholic segment, mediocre-buyer segment, and carefree-frequent buyers segment. With the limited resources of the company especially SMEs, it will be very difficult to target all segments that have different characteristics. Therefore, it is necessary to choose the most potential market segment in order to achieve the maximum benefit for the company. With the RFM models, three segments are evaluated and valued. Finally, professional shopaholic segment is taken as the main target market. This segment has considerable experience in online shopping. It can be seen from the relatively high frequency of

This segment has considerable experience in online shopping. It can be seen from the relatively high frequency of online purchases, a relatively large amount of money spent in online transaction, and a diverse type of products purchased from the internet.

The type of online marketing suitable for the three segments is by using social media channel. Nevertheless, for organic products, information that is more thorough should be delivered to enhance customers' intention to buy [8]. Due to limited space of social media, organic product producers should also have a website filled with information to educate the visitors about their products.

In designing market position, at first we select one SME, named NH, which provide processed organic food as a case study. By using the brand linkage, SMEs NH products can be positioned with reference to the state of the art products with similar category and make some adjustments as differentiation. NH products are different from other organic products in that they offer high-quality products. The main competitors of NH are other SMEs engaged in processed organic foods. Usually NH competes with fellow sellers of processed organic products at exhibitions or events followed.

Positioning strategies can be done by installing certifications and awards NH owned on the website with the aim of provoking a sense of trust in the minds of consumers and more confirms the picture of good quality products. To be

more striking, in the website can also be displayed ingredients used in processing the food. Information displayed on the existing website of NH only a product photo, product name and price alone. There is no detailed information on the composition of raw materials, product processing and product certification.

It should also be displayed the product advantages compared to its competitors. One of the benefits that can be shown is that the light meals and snacks that NH produce which is safe and good for people with diseases such as diabetes and cholesterol. Periodically the website should be filled with the articles about health and tips on preventing disease. By doing so, customers can position NH as a healthy food on his mind, the website should also shown NH motto to assert superiority of the products to the targeted consumers, for example with the phrase 'companion guide toward healthier lifestyle'. To strengthen the positioning of NH, which promotes security, quality and trust in the minds of customers, NH can use the following tagline for marketing its products: 'Honest to Goodness'.

The main characteristics that distinguish the professional-shopaholic segment compared to other segments and the result of positioning analysis are translated into technical characteristics of the website, as shown in Table 5.

Table 5: Segment Characteristics Translation into Technical Features of a Web Site

Variable Category	Technical characteristics of the Web Site
High preference for trust	Installing certification and awards received, showing the best quality of raw materials and cooking equipment used, displaying superiority compared to competitors' products, featuring testimonials from consumers who ever bought online
High preference for the accuracy of information	Featuring articles from credible sources about the benefit of the offerings
High preference for transaction security	Ensure security of transactions by using standard bank transfer method and/or using visual facilities escrow
The most frequently shop online through social media	Promotion through various social media with links leading to web site to provide more thorough information
Payment method most commonly used is a bank transfer	Provides services for payments via ATM using several major banks, so buyers do not have to pay the cost of interbank transfers
The frequency of online shopping is relatively high	Using short sentences motto and slogan on the website to make it more memorable by the potential customers

## Conclusions

This study demonstrates that there are three segments off online shoppers in Indonesia, namely professional-shopaholic segment, mediocre-buyer segment, and carefree-frequent buyers segment. Professional-shopaholic segment mostly concern about trust and security. This segment also has the highest online purchase intention compared to the other two segments. Mediocre-buyer segment has relatively high preferences on Ease-of-Use and Word-of-Mouth, and has online purchase intention lower than the first segment. Nevertheless, the average value of the four indicators of Online Purchase Intention is still above the value of 3.5 out of 7. The third segment is carefree-frequent buyers segment, which put a high priority to the variables Ease-of-Use and perceived Usefulness, and has Online Purchase Intention relatively low compared to the other two segments.

Based on the results of the evaluation of the attractiveness of the market segments using RFM (Recency-Frequency-Monetary Value) modeling, selected segments are the professional-shopaholic segment because it has the highest total value of RFM which is equal to 86.61.

The type of online marketing suitable for the three segments is social media channel with link to the company website. Social media accounts are used to promote and direct the consumer to open an online store website link. The website should contain information that is accurate and reliable, ensure the security of the data provided by the visitors, and have a secure payment method.

Positioning strategy is done by displaying the certification and awards aiming of provoking a sense of trust in the minds of consumers and more confirm the picture of good quality products. To be more striking, website can also display ingredients, production tools, and processes.

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