

The ABCs of Entering Indonesian Market: An International Community Service Program for Thailand's SMEs

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Abstract

This community service initiative, conducted on October 17, 2024, at Thailand's East Park Incubator, aimed to equip Thai SMEs (Small and Medium-Sized Enterprises) with strategies to enter the Indonesian market by addressing digitalization, cultural alignment, and regulatory compliance. Engaging 30 Thai SMEs, the program emphasized leveraging Indonesia's digital ecosystem including platforms like Tokopedia, Shopee, Instagram, and TikTok to reach its young and huge population of over 212 million internet users, while highlighting demographic advantages such as a young workforce, halal product demand, and strategic geographic positioning. Key discussions covered cultural nuances like relationship-building practices, collective decision-making, and business etiquette to foster trust, alongside regulatory frameworks such as PT PMA requirements and tax policies. Participants demonstrated strong interest in Indonesia's market potential, with plans or strategies to adopt localized digital marketing, partner with Indonesian businesses, and utilize e-commerce logistics. The initiative underscores the importance of academic-industry collaboration in facilitating cross-border SMEs expansion, fostering economic growth, and enhancing Thailand-Indonesia knowledge exchange through tailored market entry strategies.

Keywords: Digitalization, Digital Marketplace, SMEs, Cross-Cultural Business

1. Introduction

Small and medium-sized enterprises (SMEs) play crucial role in economic growth, development, and innovation among various countries, especially in developing nations ([Surya, et al., 2021](#)). Small and medium-sized enterprises foster an entrepreneurial ecosystem and introduce flexibility into the economy in response to global economic volatility ([Al-Haddad, et al., 2019](#)). Since the number of SMEs frequently stays the same or even rises during economic downturns, SMEs are renowned for their resilience. Their ability to bounce back from macroeconomic shocks is demonstrated by their resilience ([Santosa & Wulandari, 2019](#)).

The importance of SMEs can be clearly seen in countries such as Indonesia and Thailand. In Indonesia, SMEs have demonstrated their critical economic role by employing approximately 117 million workers, representing 97% of the total workforce, and contributing up to 60.4% of

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total investment, based on data from the Directorate General of Taxes (DJP) ([Junaidi, 2023](#)) in the first semester of 2021. Similarly, in Thailand, SMEs also form the backbone of the national economy. The country's microenterprises contributed 2.6% to GDP, small enterprises 14.4%, medium enterprises 17.6%, while large businesses accounted for 58.9%, with other sectors contributing 6.5%.

The fastest growing SMEs will take up the challenge and bring about good change in the present framework ([Prayoga, et al. 2025](#)). Small and medium-sized businesses make a significant contribution to the long-term strength of the economy because they provide a creative avenue for entering and supporting independent individuals seeking self-employment ([Al-Haddad, et al., 2019](#)). However, to achieve these outcomes, it is essential that SMEs receive adequate support from both the government and the private sector ([Oyegbade, et al. 2022](#)).

Despite their potential, SMEs face numerous challenges that obstruct their development and potential, such as limited access to finance, technology transfer, and collaboration with research institutions ([Cincinsoko, 2024](#)). prior research shown that high-growth companies view financing as the primary obstacle to SMEs expansion. This reinforces the idea that high-growth enterprises require more funding than slower-growing firms ([Chandra, Paul, & Chavan, 2020](#)). Furthermore, the majority of SMEs continue to operate with outdated and traditional machinery that is no longer appropriate for the modern corporate environment, where automation and digitalization have become essential ([Majanga, 2015](#)).

SMEs, especially in developing countries, face regulatory complexities and informal operations due to bureaucratic hurdles, high compliance costs, and limited awareness of formalization benefits, restricting access to loans, government support, and global markets ([Sinuhaji & Ibrahim, 2024](#)). Governments and industry bodies can address these challenges by simplifying registration, offering tax incentives, and providing training on export regulations and market entry strategies. Strengthening partnerships between SMEs, larger corporations, and international trade organizations could further expand market access and knowledge exchange. Resolving these barriers would boost SME competitiveness, driving inclusive economic growth and poverty reduction ([Rizky, t al. 2024](#)).

2. Problem Solution

problem-solving proposed to improve the ability of SMEs in Thailand to be able to enter the Indonesian market. SMEs as one of the important components in the movement of the economy need to be supported in their expansion. Technology, especially the internet, plays an important role in helping the development of SMEs. However, this is not easy because there will be obstacles that can interfere with the entry of Thailand SMEs into the Indonesian market. The novelty this time is to find out the strength of digitalization in the form of digital marketplaces and social media in helping the integration of Thailand SMEs into the Indonesian market

3. Research Method

The community service activity was conducted on October 17, 2024. The program was held at East Park Incubator Building in Bangsaen, Chonburi, Thailand. The program had been planned to be conducted from 10.00 AM until 14.00 PM. The community service activity itself was attended by at least 30 SMEs owners that belong to the East Park Incubation Program of Burapha University, Bangsaen. The community service program was about how to enter Indonesian market for Thailand's Small and Medium Enterprises (SMEs). As a country, Thailand is very much driven by the performance of its SMEs because the majority of

establishments there are SMEs (Chittithaworn, Islam, Keawchana, & Yusuf, 2011) . The workflow related to the program is as follows:

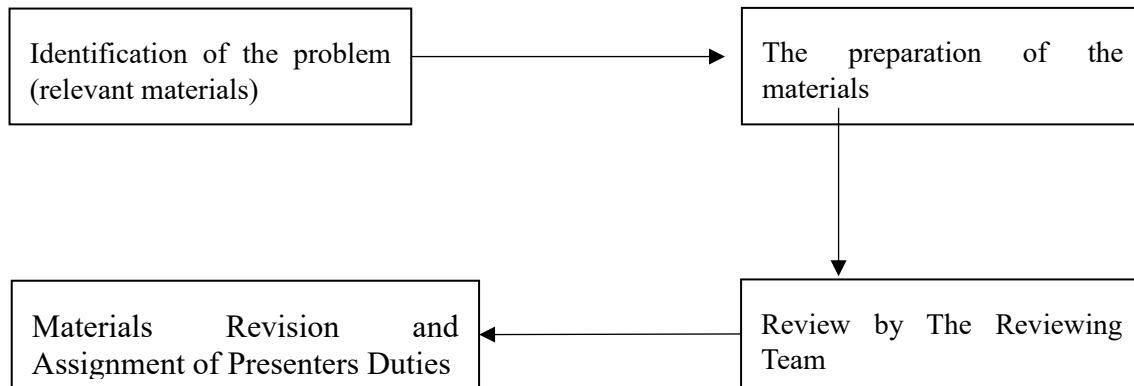


Figure 1. Preparation of the Community Service Activity

Before the community service was held, the community service team first identified the materials relevant to the audience (the SMEs of the East Park Incubator). For this, the teams conducted interviews and discussions with the business lecturers of Burapha University since the East Park Incubator was initiated by Burapha University. From the discussions, we found out that SMEs in Thailand had an export-oriented focus. Therefore, it was very suitable if they gained information regarding entering Indonesian market. This way Thailand's SMEs will have a new market and Indonesia customers might have the needs fulfilled.

These materials were still very broad. Therefore, the community service team had to discuss again to narrow them down. After further discussions, the team decided that, to enter the Indonesian market, SMEs ought to know the characteristics of Indonesian Market. Therefore, some materials are concerned with the consumer behavior matter. The team also decided that taxation was also relevant. Some aspects of Indonesian tax laws would also be explained. Subsequently, the team started digging down further regarding Indonesian consumer behavior and taxation so that SMEs could understand the landscape of Indonesian market. The detailed materials covered Awareness of the Market, Building Relationships, Compliance and Execution, and Taxation. Upon having established the materials the team decided to allocate the materials to the personnel. The following is the assignment of materials.

Table 1. Assignment of Materials

Materials	Presenter	Time
Awareness of the Market	Arton Briyan Aulia Danibrata	13.00-13.30
Building Relationships	Niken Purbasari Tita Deitiana	13.30-14.45
Compliance and Execution	Elvina	14.45-15.45
Taxation	Friska Firnanti	15.45-16.20

4. Findings and Discussions

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The international community service program was attended by 30 business owners of small and medium enterprise. They were very eager to learn about the opportunity to enter Indonesian market and the characteristics of the customers thereof. The first material delivered by Arton Briyan Prasetyo and Aulia Danibrata was Awareness of the market. In this material, the speakers explained about the huge potential of Indonesian market. The internet user in Indonesia for the year 2023 was around 212,9 million users. This reflected the reality that internet covered the majority of Indonesian people. SMEs that marketed through digital channel had the probability to increase the presence known in Indonesia. In order to understand the Indonesian market well, the SMEs must find out the needs that will drive the customers to conduct the purchase. There could also be another influential factor that trigger the purchase by customers.

The market in Indonesian was also very much affected by the influencers. The customers would feel the fear of missing out if they could not keep abreast of the current trend. The sellers or producers must also understand the difference between desires and necessities. Desires would not affect the life very much or make the life harder if they were not satisfied. However, it could be the driving factors behind a purchase. For a customer who was hungry, the need was to eat something. However, the desire might lead him/her to a certain brand of food.



Figure 2. Group Photo Session

Next the discussions continued to the digital marketing role for Indonesian customers. Even farmers in Indonesia had started using the internet to purchase agricultural necessities. In terms of social media, the majority of Indonesians used whatsapp as their means of communication. Whatsapp application was very popular that it was used by around 88% of respondents surveyed (in 2022 by GWI).

The second most popular application was Instagram by 84% respondents, and the last was Facebook by 81%. Instagram and Facebook enabled customers to see the pictures of the products and chat the sellers individually and privately. Howeverm TikTok was gaining on popularity as it was the fourth most popular. It was very possible that TikTok would overtake Facebook in the near future. Therefore, to penetrate Indonesian market, digital marketing was a must. Digital marketing had the benefit of being cost-effective and it did not need many headcounts of human resources. Digital marketing also enabled faster deployment, easier branding, and good growth potential. Indonesians consumed social media very much in the daily lives. Hence, digital marketing was a suitable means of marketing instrument.

The speakers also introduced some of the very well-known Indonesian marketplace. Tokopedia, Shopee, and OLX were among the most popular marketplace for the sellers or producers. Indonesian also used Grab and Gojek for the transportation. Gojek and Grab could pick a passenger and carry them to a destination or it could pick a package and deliver it. This led to

the presence of e-commerce. Some of the obvious benefits of e-commerce involved expanding marketing, reach, increasing brand awareness, more cost effective, make it easier for consumers to buy, bringing in customers from search engine searches and social media, clearer visitor tracking and statistics, product tracking, and all-day promotions. The speakers or presenter also explained about Indonesian demography. Indonesia was an archipelago with over 17,000 islands. The five main islands were Sumatera, Java, Borneo, Sulawesi, and Papua. However, around 60% of Indonesian population was concentrated on Java Island. The majority of the population was Muslims. This was in contrast to the Thailand in which Muslims were about 5% of the population. Therefore, halal product was huge in Indonesia because Islam religion requires halal products. Indonesia also had a GDP of over USD 1 trillion, the biggest in Southeast Asia. It had a very strategic location and constituted a young population demographic. This was in contrast to the countries like Japan who had aging population. The workforce was also young and talented and played a major role in contributing to the national GDP.



Figure 3. Presentation Session

Indonesia had so many natural resources, it had become a popular place to invest in green energy projects. Solar, wind, and geothermal projects were getting more attention than ever. Moreover, the government showed its goodwill to support green and sustainable projects. The second material was Building Relationships delivered by Niken Purbasari and Tita Deitiana. The benefits of building relationships included increasing business visibility in the marketplace, expanding access to new information and opportunities, building credibility and trust, gaining insights from other businesses' experiences and best practices. Typically, the characteristics of Indonesian consumers were friendly and engaging, very much influenced by recommendations when purchasing something, and quite loyal toward a certain brand. These were the typical characteristics of Asian consumers actually.

However, Indonesians were slightly warmer and more welcoming. Indonesians love to talk about the product they cherish. They also listened to the experience of others while using a certain product or services. Any bad recommendations would be heeded and vice versa. Whenever they knew about a negative review on something, they tended to avoid that product or service. Likewise, when they experienced a product or service positively, it is very hard for them to change the product or service. They also would inform others about the goodness of a product or service. As a business partner, Indonesian usually had a strong personal connection. They value partners or businesses beyond the commercial value. They would engage in it personally. Indonesians also tried to avoid direct confrontation. They would build their way around any confrontation. They would state in a less mean way of how they feel about something or someone. Therefore, it was sometimes hard to know what Indonesians really felt or meant. Lastly, Indonesian preferred to collectively make decisions. They would hold up a

meeting just to make decisions. This would certainly consume times since it would take longer to have a final say. The golden rules for establishing business with Indonesians concerned patience was highly valued. Then, we should have a very flexible time. We should also know about hierarchy since Indonesians were very polite. And lastly, do not focus only on quality. There were also several aspects of business etiquette in Indonesia. The first etiquette was about personalized approach. This included greetings and communication style. There was also about dress code since Indonesia still held the Asian values. The last etiquette involved the respect toward religious practices. We would say that Indonesians place high values on religion. Religion meant something for them. Hence, respecting religious practice was a must to gain trust and build relationships in Indonesia. The speakers also recommended some business networking strategies. The first strategy was to select communities that are relevant to the business needs. Producers must target their audience well. The second strategy was to attend conferences and other industry events. Business conferences and industry events were quite frequently in Indonesia. This was a perfect opportunity to build networks. The third strategy was regarding building collaborations with businesses that offer complementary products or services. The last is to take benefits of digital channels to build relationships with the customers. The third material was about Compliance and Execution. The speaker explained about the investment climate in Indonesia. Basically, Indonesia's investment climate was growing, fueled by tech, infrastructure, and renewable energy sectors. The government was focusing on attracting foreign investment through tax incentives and streamlined licensing. However, regulatory complexity and legal uncertainties posed challenges. Long-term potential remained strong, especially with its economic growth and large consumer market. Next, the speaker explained about PT PMA. PT PMA was a type of company that allows foreign capital ownership, either 100% or partially, depending on the business sector involved. In setting up a PT PMA, it was necessary to be aware of the Negative Investment List (DNI) which was a list of business sectors that are restricted or prohibited to foreign investment.



Figure 4. Meeting Session

Some sectors limited foreign ownership, while others were completely closed to foreigners. Currently, the regulations governing foreign investment have been amended with the enactment of Presidential Regulation (Perpres) No. 10 of 2021 on Investment Business Sectors, which is part of the implementation of Law No. 11 of 2020 on Job Creation (Job Creation Law). Sectors that remained closed to foreign investment include sectors concerning national security (such as weapons and explosives), environment-related sectors (such as hazardous waste management), specific sectors related to local culture and traditions. The last material was about taxation. In this material, the speakers talked about technical details of Indonesian taxation regarding value-added tax, income tax, import duties, importer identification number, and the open policy for foreign direct investment.

Conclusions

This international community service program aims at explaining the Indonesian market to the Thailand's SMEs. By opening Indonesian market, we increase the chance of inviting foreign direct collaboration and international partnership between Indonesian and Thailand's entrepreneurs. This will bring about increase in economic productivity and innovations through international collaboration. We could also expect knowledge transfer and sharing between the two countries. During the community service program, we found out that some Thailand's SMEs were planning to venture further into Indonesian market. They see the huge potential of Indonesian economy and population size. We also encouraged Thailand's SMEs to look for Indonesian partners so that businesses can be developed with local know-how. Hopefully, this will bring greater goods for both countries.

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