

Marketing Strategy Of Micro Small And Medium Enterprises (MSME) In The Framework Of Public Welfare Improvement In Southeast Sulawesi Province

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Abstract—MSME Marketing Strategy In The Framework of Public Welfare Improvement in Southeast Sulawesi Province. This research aims to identify and analyze (1) marketing aspect seen from internal and external environment faced by MSME in Southeast Sulawesi Province, (2) problems faced by MSME making it to be not developed and (3) formulation of appropriate marketing strategy for MSME development. It takes 100 MSMEs as the samples distributed in each regency / city namely : Kendari City, Konawe regency, Kolaka regency, Bombana regency and Bau-Bau city. To identify and evaluate the internal and external factors, it uses Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrixes which then analyzed with SWOT analysis. The QSP matrix analysis is used to determined the strategy priority of the SWOT analysis results. It obtains mean of IFE by 2.1978 and EFE by 3,0493 so that it places the MSME in Southeast Sulawesi in the II cel. This position describes that MSMEs in Southeast Sulawesi has weak internal condition and it has strong responses to external factors. Based on QSPM results by multiplying each factor weight and attractiveness value, it results the selected strategy alternative, namely " Designing creative and attractive design so that it can be acceptable by consumers".

Index Term— Analisis SWOT, Consumer Behaviour,, Eksternal Factor Evaluation (EFE), Internal Factor Evaluation (IFE), Markeing Concept, MSME,, Quantities Strategic Planning Matrix (QSPM)

1 INTRODUCTION

Micro, small and medium (MSM) enterprises serve a quite vital role in the economic growth and development; it is not only in developing countries but also in developed countries. In developing countries, MSME serves an essential role from the perspective of work opportunities and source of income for poor group, distribution of income and poverty decrease as well as development of rural economic (Kadin, 2008). As an illustration of MSME contribution in developed countries on GDB in 1994, in Australia, it was 39,6%, Canada, it was 59,24%, Japan, it was 79,2%, and United States, it was 53,67%. There is also impact on the work labor absorption; the MSME role in Australia, it was 95,0%, Canada, it was 99,8%, Japan, it was 99,1%, and United States, it was 99,72%. (Prawirokusumo 1999).

However, high growth of MSME is still accompanied by obstacles. The obstacles can be different in one area and others, in urban and rural areas, and inter-companies in the same sector. There are some general obstacles, among others limited work capital and investment, difficulty in marketing, distribution and procurement of raw materials and other inputs, limited information access of market chances and other information, limited workers with high expertise and technology capability, high transportation and energy costs, limited communication access, high cost by complex administration and bureaucracy procedures mainly in business permit processing, indefinite or undirected nclear condition as a result of unclear economic rules and policies (Kadin, 2008).

Based on the background, this research aims to : (1) identify and analyze the marketing aspects that is seen from intern and extern environments faced by the MSMEs in Southeast Sula-

wesi Province. (2) identify and analyze the problems faced by the MSMEs so that they cannot develop, (3) formulate appropriate marketing strategies for the development of MSMEs so that it can improve public welfare in MSMEs in Southeast Sulawesi Province.

2 REVIEW LITERATURE

2.1 MSME Empowerment

Indonesia Bank (2011) has Five finger philosophy for MSME development and empowerment in Indonesia, five finger philosophy means that each finger serves each role and can stand-alone and will be stronger if it is used simultaneously.

1. Thumb, represents the role of financial institution in financial intermediation, mainly to provide loans/financing to micro, small, and medium as well as Agents of development.
2. Forefinger, represents regulator namely Government and Indonesia Bank serving as regulation for real and fiscal sectors, issuing license permits, land certificate so that it can be used by MSME collateral, creating conducive climate and source of financing.
3. Middle finger, represents catalyst serving in supporting banking and MSME, including Promoting Enterprise Access to Credit (PEAC) Units, credit guarantee company.
4. Ring finger, represents facilitator serving in accompanying MSME, mainly micro enterprises, assisting MSME to obtain bank financing, assisting bank in term

of credit monitoring and MSME development consultation.

5. Little finger, represents MSME serving as business actor, tax payer and work labor opening.

2.2 Marketing Concept

Marketing is a social and managerial process in which individual and group obtain what they need and want by creating, offering and changing freely valuable products with other parties (Kotler, 2007:6). This marketing definition is based on concepts of needs, wants, demand, exchange products, transaction and markets.

Marketing channel is a flow passed by goods and service from producers through marketing institution until the goods and service are delivered to consumers. The length of marketing channel passed by a commodity depends on : (1) distance of producer and consumer, (2) the length of time the goods to be damaged, (3) scale, (4) producer financial position, (5) profit level, and (6) number of buyers from consumers (Nitisemito, 1986).

According to Kottler and Keller (2008), there are two strategy often used in managing the marketing channel, namely push strategy and pull strategy. The use of these strategies depends on decision of the company or entrepreneur mainly depending on product popularity of a producer.

2.3 Consumer Behavior

Marketing concept is based on outside and inside views. This concept is initiated by defining clear market focusing on needs of customers, combining all of the activity systems which will influence the customers and create profits through customer satisfaction. Marketing concept lays on the main pillars, namely:

1. Target market. There is no company that can operate in all market segments and satisfy all demands and also cannot operate appropriately in broad markets, so that if a company wants to success, then it must be able to define its target markets carefully and prepare marketing programs.
2. Customer needs, understanding customer needs and desire is not only a simple task since there are some customers having different needs which they may be not aware of or they can illustrate this needs.
3. Integrated marketing, if all departments cooperate to serve customer interests so there will be integrated marketing. It can be apply in two stages, namely: a. First Stage : there must be cooperation among a number of marketing functions, advertising sale staffs, product management, marketing research and other. B. Second stage: marketing must be coordinated appropriately with other parts of the company. C. Profitability, main purpose of marketing concept is to assist organization so that it can achieve their purpose.

According to Solomon (2000), customer behavior is a study including process when certain individual or group purchases, uses or regulates product, service, idea or experiences to meet the needs and desires.

According to Schiffman and Kanuk (1997), consumer be-

havior science is a science concerning how an individual makes a decision to use his or her resources namely time, power, and money to consume something, including a science studying on what, why, when and where a person purchases, as well as how often one purchases and uses a product and service.

Engel et.al. (1994), stated that: Customer behavior in decision making by consumers is taken through five stages, namely: needs acknowledgement, information search, information evaluation, purchase and post-purchase. Decision making process of purchasing by consumer is influenced by three main factors, namely:

- a. Individual difference factors consisting of consumer resources, motivation and involvement, knowledge, attitude, personality, lifestyle and demographics.
- b. Environmental factors consisting of culture, social class, personal influence, family and situation.
- c. Psychological process consists of information processing, learning, attitude / behavior change.

2.4 Strategy Formulation Analysis

Important strategy formulation process can be combined into three-stage-framework of decision making (David, 2006), name I stage (input), II stage (adjusting) and III stage (decision).

I stage is from strategy formulation process consisting of creating Evaluation Factor Analysis (EFE) matrix and Internal Factor Analysis (IFE) matrix. I stage summarizes necessary basic input information from intern and extern environment so that it can formulate the strategy. II stage is called as adjusting stage; it focuses on creating appropriate alternative strategy by combining extern and intern factors. II stage technique can use Intern-Extern (IE) and Strengths-Weakness-Opportunities-Threats (SWOT) matrixes. III stage is called as decision stage, using one type of technique, namely QSPM (Quantities Strategic Planning Matrix).

3 RESEARCH METHODOLOGY

This research will be conducted at several MSMEs (Micro, Small and Medium Enterprises) in regencies / cities in the Region of Southeast Sulawesi Province. There are 5 regencies / municipalities selected were 5 as the research locations, namely: Kendari, Bau-bau, Kolaka, Konawe and Bombana regencies. From each regency / city, it is selected or determined again 20 MSMEs as the unit samples on purpose (purposive sampling). Data collection techniques are (a). Observation, namely to collect data in the field by visiting MSMEs in each regency / city that are defined as the respondents. (b). Questionnaire, namely data collection by distributing a list of questions in a structured and open manner to MSMEs that are defined as the respondents and (c). Interviews, it is used to explore the problems faced by MSMEs.

Important strategy formulation process can be combined into a-three-stage-framework of decision making (David, 2006), namely I stage (input), II stage (adjusting) and III stage (decision). Analysis stage is conducted in three stages namely : I stage summarizes necessary basic input information from intern and extern environment so that it can formulate the

strategy. II stage is called as adjusting stage; it focuses on creating appropriate alternative strategy by combining extern and intern factors. II stage technique can use Intern-Extern (IE) and Strengths-Weakness-Opportunities-Threats (SWOT) matrices. III stage is called as decision stage, using one type of technique, namely QSPM (Quantities Strategic Planning Matrix).

4 ANALYSIS AND RESULTS

4.1 MSMS Intern Environment Analysis in Southeast Sulawesi

Intern environment analysis is conducted on some variables in the MSMEs that can be the source of strength and weakness for the MSMEs in Southeast Sulawesi province. This analysis focuses on identification and evaluation of MSME strengths and weaknesses in the fields of organization, human resources, business unit and financial.

Strengths - There are some strengths owned by the MSMEs in Southeast Sulawesi, among others: (1) there is increasing decision in producing or selling products based on the needs and desire, (2) list of price is prepared by the company as information for customers, (3) in determining price of sales, it considers supplier and salary factor, (4) public relation activity is conducted by the company, (5) it has commitment and motivation for business development, (6) it joins relevant trainings for the improvement of business development.

Weaknesses - There are also weaknesses owned by the MSMEs in Southeast Sulawesi, among others: (1) market determination is not based on potential market segment to be served, (2) there is no product innovation, (3) there is still understanding on the importance of product branding so that the products can be distinguished from other products created by competitors, (4) there is no interesting packaging, (5) sale price is not determined by considering competitor's price, (6) there are lack advertising by printed or electronic media, (7) there is no use of personal selling service in the promotion, (8) there is lack promotion conducted by joining exhibition by the company, (9) there is lack long term planning by the MSMEs, (10) there is irregular bookkeeping, (11) it cannot achieve production cost efficiency so that there is no competitive price in the market, (12) it sales product having no uniqueness, (13) there is low employee discipline, (14) there is low employee knowledge and skills.

4.2 MSMS Extern Environment Analysis in Southeast Sulawesi

The extern environment analysis is conducted on some variables beyond the MSMEs that can be the sources of opportunities and threats for the MSMEs in Southeast Sulawesi. This analysis focuses on identification and evaluation of MSME strengths and weaknesses in the fields of economy, government policy, social-culture, technology and competitors.

4.3 Identification of Opportunity and Threats

Opportunities - There are some opportunities owned by the MSMEs in Southeast Sulawesi based on the analysis results, namely: (1) there is fund support from central and regional government, (2) there is legality on the MSME activity

implementation, (3) there is a tendency on the improved income level in the MSME areas, (4) there are many people having no access to their required products, (5) there is opportunity on business network development cooperation, (6) there is conducive business climate in MSME areas.

Threats-There are some threats owned by the MSMEs in Southeast Sulawesi, namely (1) there is a tendency of dependency on assisted funds so that MSME has no creativity to improve its capital, (2) there is low public awareness to love and use the products made by MSME in the country, (3) there is a competition with other MSMEs and big companies to win the market, (4) the technology use by the MSMEs is still low.

4.4 Internal External (IE)Matrix Analysis

IE Matrix is obtained the results of IFE and EFE matrixes (Tables 1 and 2). IFE mean is 2.1978 and EFE mean is 3,0493 so that it places MSMEs in Southeast Sulawesi in the II cell. This position describes that MSMEs in Southeast Sulawesi has the average internal condition and high opportunity for internal factor. The following is the Intern Extern Matrix from the research results of MSMEs.

TABLE 1.
INTERNAND EXTERN MATRIX (IE)

Total of IFE Scores	Strong 3,0 – 4,0	Average 2,0 – 2,99	Weak 1,0 – 1,99
Total of EFE Score			
High 3,0 – 4,0	I	II	III
Medium 2,0 – 2,99	IV	V	VI
Low 1,0 – 1,99	VII	VIII	IX

Source : Processed Data, 2016.

Based on the IE matrix, there are alternative strategy options that can be proposed, namely integration, market penetration, market and product development. The first alternative strategy from growing and developing strategy is integration strategy. The integration strategy basically is divided into two, namely (1) backward strategy, namely MSMEs seek ownership or control on any required raw materials in the operational activity, (2) horizontal integration is to seek ownership or control on the competitors.

The second alternative strategy is market penetration. This strategy can be done by trying to find greater market targets for the current product and services in the existing markets through better marketing strategies. Improved marketing strategies can be done my creating more promotion activity through effective media. This promotion can be done in newspaper or brochures as well as involvement by MSME actors in exhibition activity and MSME product display. This promotion is done to introduce the business products to MSMEs so that it can attract and influence the consumers to have willingness to buy the products.

Based on the IE matrix, the third alternative strategy is maintaining and preserving strategy namely product and service development strategy. The product and service development strategy is the improved sales by improving product and service quality in each business unit or developing new products. The product and service development strategy can be

done by adding new business units such as fishery processing products and other business units that can support the MSME sustainability in Southeast Sulawesi.

IE Matrix is obtained the IFE and EFE matrix results (Tables 4.1 and 4.2). Mean of IFE is 2.1978 and EFE mean is 3,0493 so that it places the MSMEs in Southeast Sulawesi in the II cell. This position describes that MSMEs in Southeast Sulawesi has the average internal condition and high opportunity for internal factor.

Based on IE matrix, then there are alternative strategy options that can be proposed, namely integration, market penetration, market and product development. The first alternative strategy from growing and developing strategy is integration strategy. The integration strategy basically is divided into two, namely (1) backward strategy, namely MSMEs seek ownership or control on any required raw materials in the operational activity, (2) horizontal integration is to seek ownership or control on the competitors.

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From the product aspect, MSMEs must determine appropriate products to be marketed. It must create innovative, creative and interesting products. To obtain the interesting products in the market, there must be survey in surrounding environment to obtain realistic product description. The more careful and thorough you create innovative products and services, then MSMEs will have more ability to develop and win business competition. It should try to find new products that are yet in the market but useful for costumers.

4.5 Swot Analysis Results

Based on the SWOT matrix analysis results, it obtains the following alternative strategies:

1. Utilizing government policies for training and coaching to improve product and employee performance through improved customer service
2. Maintaining the quality of service and keep improving business activities by utilizing existing capital
3. Allocating grants to improve the production technology used
4. Analyzing potential market share to enter

5. Reviewing MSME system in order to increase cooperation
6. Improving the design of creative and interesting products to be accepted by consumers
7. Optimizing the role of financial institutions in providing capital assistance and supervision of such assistance.
8. MSMEs create cooperation with big business to build joint strengths so that they can cover each other's shortcomings.
9. Improving product quality both in packaging to be more attractive in appearance and capability to compete with competitors' products

4.6 Quantitative Strategix Planning (QSP)

Analysis tool used for strategy determination is QSPM (Quantitative Strategy Planning Matrix). The last stage in company strategy formulation is QSPM (Quantitative Strategy Planning Matrix) formulation so that it can create the order of proposed strategy priority. Ginting (2006) said that QSPM is created to present AS (Attractiveness Score) for each key external and internal factor on each proposed strategy. As assesses how the level of influence on a key factor on certain alternative strategy.

QSP matrix is a tool recommended for researchers to evaluate alternative strategy options in an objective manner by considering internal and external major factors on IFE, EFE, IE and SWOT matrices. Determination of alternative strategies included in the QSP matrix is based on an assessment of MSME condition in Southeast Sulawesi. The alternatives obtained in the SWOT matrix will be assessed by the QSP matrix.

Based on the calculation of QSP matrix by multiplying each factor weight and the Attractive Score, then it can generate the Total Attractive Score. It generates alternative chosen strategy, namely 6 strategies, namely, "improving creative and interesting design so that it can be accepted by consumer" with TAS value by 7,18. The smallest alternative strategy by value of 5,80 is the 1 strategy, namely "utilizing government policy for training and coaching to improve product and employee performance through improvement of customer service".

Based on the priority strategy that is recommended based on the first order with the highest TAS value until the last order with the lowest TAS value, it results in the following strategy priorities.

Strategy to improve creative and interesting design to be accepted by consumers is one of the main strategies that can be done by MSMEs to grow and develop. This strategy aims to create distinguish or unique products so that it will be difficult to imitate by competitors. Also, through this strategy, it is expected that the products by the MSMEs can be accepted by consumers so that eventually the consumer will make a purchase.

4 LIMITATION AND FUTURE RESEARCH

Limitation of this study is that not all regencies in Southeast Sulawesi Province include as the samples due to time and cost limitations. Also, this research has a limited focus only on marketing strategy so that it is expected that further research

can examine business strategies including, financial strategy, HR strategy and production strategy.

5 CONCLUSION

Based on the results and discussion then this research can draw conclusions as follows: (1) The internal condition of MSMEs in Southeast Sulawesi still indicates weakness. The main weakness is the market selection that is not based on potential market segments to be served. This results in low sales volume of MSME products in Southeast Sulawesi. While based on the external environment aspect, it shows that there is still a big opportunity for MSMEs in Southeast Sulawesi to develop. (2) The main problem faced by SMEs in Southeast Sulawesi is the low volume of sales as a result of wrong market segment selection and lack of product innovation. (3) The main strategy that can be undertaken by MSMEs in Southeast Sulawesi in order to continue to grow and develop is to improve creative and interesting design products so that it can be accepted by consumers.

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