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MSMEs Marketing Strategies in Increasing Competitiveness in Modern Retail Markets Case Studies Medan City Indonesia and Kota Bharu Malaysia

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Abstract:

The purposes of this research are: (1) to analyze marketing strategies of MSMEs to win the opportunities and challenges in Medan and Kota Bharu Modern Retail Market; (2) to estimate Consumer Satisfaction Index of MSMEs in Medan and Kota Bharu. ABC Kue Basah and Izzara Cookies are used as MSMEs in Medan and Kota Bharu Product, Price, Promotion, Place, People, Process and Physical evidence are used in Importance Performance Analysis (IPA) and Consumer Satisfaction Index (CSI). The result showed: 1) ABC Kue Basah encouraged to make first priority marketing strategy for Process, and Promotion 2) Izzara Cookies encouraged to make marketing strategy for Promotion 3) Consumer Satisfaction Index for both companies are good, and Izzara Cookie has higher CSI than ABC Kue Basah

Keywords: MSMEs, marketing strategy, consumers

1. Background

Small and Medium Enterprises (MSMEs) have given an important contribution to the national economy. In 2018, the number of MSMEs was 58.97 million, and most of them are micro-business (98.73 %). The development of MSMEs during 2011 - 2018 is 2.4 %, with the majority are medium business (8.7 %); in the same period, the MSMEs' capacity to get job orders has increased to 5.9 % on average. In 2018 the MSMEs employees were 132.3 million people; however, 88.6 % of them are permanent employees of small companies. It is expected that the small business can be change into medium business, or from micro-business into a small business, to increase the number of employees in MSMEs

MSMEs' development is very strategic because they have great potential to the economic activities, and MSMEs are the main source of income for the majority of Indonesian; furthermore, MSMEs have opened many jobs, a Gross Domestic Product (GDP) booster, foreign exchange withdrawals, and national investment attractions.

The fact that MSMEs are still having problems such as (1) fundamental problems: capital issues, law, human resources, product and sales opportunity development; (2) Medium problems, namely problems from institutions that deal with basic problems which expanding into additional problems such as financial management, negotiations, and business boundaries; (3) Advance problems, which include the introduction of export market entries, misconceptions about market size, regulatory issues, sales contracts, and regulations in export destination countries. (Setyobudi, 2007)

The international market is one of the problems that must be faced by MSMEs because the international market is an opportunity to expand market access. Retail business has increased a very fast in many countries, as we can see much international retail company especially from developed countries have opened their shops in many under developing

countries, international retail companies always open their shops in most populous countries, such as Indonesia, since the population is a market for retail company, the more population, the more retail company come. Retail business is expanding very fast because it does not require too much amount of capital and best prospects due to shifting patterns of public spending in seeking convenience, speed, affordable prices, and quality. (Hubeis, 2012).

One of the biggest challenges that MSMEs will face and the opportunity to develop MSMEs is through increased market share, at home and abroad. As it is known that the growth of the national market from year to year is very rapid. Modern retailers have come and grown in Indonesia in recent years. Also, with the introduction of the ASEAN Economic Community (AEC), Indonesia is a lucrative market for modern foreign retailers. The value of market potential is very high, considering that Indonesia's population is the fourth largest in the world. In Indonesia, the trade center in the form of traditional shops plays an important role in overcoming unemployment and at the same time, improving the welfare of the people.

On the other hand, the traditional trading center is an embodiment of a people's economy as intended by Article 33 paragraph 1 of the 1945 Indonesia Constitution. However, in recent years, many business operators in traditional markets have gone out of business, because they are unable to compete with modern market whose existence has spread into remote areas of the population, as a result of government policy of Minister of Trade Regulation No. 58/2008 concerning Guidelines for Structuring and Guiding Traditional Markets, Shopping Centers and Modern Stores that allow 100% foreign parties to do retail business in the format of supermarkets, hypermarkets, department stores and shopping centers; furthermore, many markets managed and owned by Big Indonesian Businessmen (Hubeis, 2012). The growth of the national retail sector which includes modern and traditional is estimated to reach 10%, which is to be Rp 240 trillion in 2018 compared to 2017 of Rp 215 trillion.

In Indonesia, business centers with various shops play an important role in overcoming unemployment and, at the same time, improving people's welfare. On the other hand, the traditional business center is a people's economy as defined by the Indonesia 1945 Constitution. However, in recent years many business people in traditional markets have lost their rights because they failed to compete in the modern market, and at this time, have penetrated remote areas due to government policies, as mentioned above.

Opportunities in trade and open market in the ASEAN region, MSMEs are expected to expand their business by expanding markets. Many marketing strategies need to be developed to enter the digital marketing business, and one example is developing products by organizing/packaging that can improve the appearance and attractiveness of the product.

2. Research Problems

The rapid growth of the entrepreneurial market in Indonesia and ASEAN countries is one of the many opportunities for MSMEs to develop their business by expanding markets, and at the same time, they must resolve their problems to increase their competitiveness to seize market opportunities. Therefore, a more efficient business development strategy is needed for the MSMEs to be able to compete in the digital market.

Based on the description that has been stated above, the following research questions are:

- What are marketing strategies of MSMEs to win the opportunities and challenges in Medan and Kota Bharu Modern Retail Market?
- What is the Consumer Satisfaction Index of MSMEs in Medan and Kota Bharu?

3. Research Limitation

This research is limited to analyze marketing and business development strategies of MSMEs and Consumer Satisfaction Index in Medan and Kota Bharu Modern Retail Market

4. Research Method

Research carried out based on available data regarding the condition of MSMEs in the Modern Retail Market, in Medan, Indonesia, and Kota Bharu, Malaysia, viewed from the aspects Product, Price, Promotion, Place, People, Process and Physical evidence. Data on customer satisfaction is measured by the Impotence Performance Analysis (IPA), which will be the basis for identifying Consumer Satisfaction Index.

5. Result and Discussion

This research conducted at two companies engaged in the sale of snacks and cakes. ABC Kue Basah is a small private company that has many outlets located around the modern retail market in Medan Indonesian. Izara Cookies Sdn Bhd is a food and beverage company that has many outlets in the modern retail market of Kota Bharu, Malaysia.

Respondents of this research are 100 people in Medan and 100 people in Kota Bharu picked by purposive sampling method. After the reliability and validity test the variabel became: Product 4 items, price 2 items, promotion 4 items, location 1 item, people 2 item, process 2 item, and physical evidence 3 items.

Data processing by IPA uses the data in Table 1 and Figure 1. Results the combination of the importance and satisfaction level will be entered and divided into a Cartesian chart consisting of four quadrants, namely Quadrant 1 (Maintain Performance), Quadrant 2 (Focus Improvement Effort), Quadrant 3 (Medium-Low Priority), and Quadrant 4 (Reduce Emphasis). The results of the IPA matrix can be seen in Figure 1.

Quadrant I (Maintain Performance); is an advantage or strength owned by ABC Kue Basah where the variables (product diversity, clean warehouse, advertising catalog, flexible booking system, credit system, and expired date) in this

quadrant have a high level of importance followed by good performance. Consumer satisfaction for some of the research variables here has good satisfaction, meaning that the variables in this quadrant need to be maintained.

Quadrant II (Focus Improvement Here) explains the weaknesses of ABC Kue Basah, in addition to being an opportunity to increase customer loyalty and enlarge its market share by improving several research variables towards optimization. All variables (manufacturing follows the market taste, and product perfection) in this quadrant have a high level of importance but have a low level of performance, so the performance for some of the variables of this research needs to be improved.

Quadrant III (Medium-Low Priority) describes some variables (advertising, location convenient to reach, and Store assistant who is knowledgeable about the product) in the eyes of ABC Kue Basah customers as not so important and in reality, the performance of ABC Kue Basah itself indeed indicates that some variables in this quadrant are not so important for its customers, so the variables in this quadrant can be ignored, but still sensitive to market conditions.

Quadrant IV (Reduce Emphasis) can be explained as a variables (Product quality, Product availability, Price matches quality, Price equals amount, and there are discounts on certain qualities) in the eyes of ABC Kue Basah customers having a low level of importance.

Quadrant I (Maintain Performance); is an advantage or strength owned by Izara Cookies where the variables (There are discounts on certain qualities, Advertising, Friendly service, flexible booking system, and expired date) in this quadrant have a high level of importance followed by good performance. Consumer satisfaction for some of the research variables here has good satisfaction, meaning that the variables in this quadrant need to be maintained.

| No | Marketing Mix 7 P | Medan | | | Kota Bharu | | |
|-------------------|--------------------------------------------------------|------------|-------------|------|------------|-------------|-------|
| | | Importance | Performance | Gap | Importance | Performance | GAP |
| PRODUCT | | | | | | | |
| 1 | Product diversity | 3,19 | 3,09 | 0,1 | 3,2 | 3,18 | 0,02 |
| 2 | Product quality | 3,11 | 3,13 | -0 | 3,15 | 3,16 | -0,01 |
| 3 | Product availability | 3,1 | 3,16 | -0,1 | 3,16 | 3,23 | -0,07 |
| 4 | The manufacturing process follows the market's taste | 3,21 | 3,16 | 0,05 | 3,18 | 3,2 | -0,02 |
| PRICE | | | | | | | |
| 1 | Price matches quality | 3,04 | 3,27 | -0,2 | 3,21 | 3,18 | 0,03 |
| 2 | Price equals amount | 3,11 | 3,22 | -0,1 | 3,18 | 3,19 | -0,01 |
| PROMOTION | | | | | | | |
| 1 | There are discounts on certain qualities | 3,12 | 3,18 | -0,1 | 3,3 | 3,15 | 0,15 |
| 2 | Advertising | 3,14 | 3,1 | 0,04 | 3,22 | 3,09 | 0,13 |
| 3 | There is a warehouse cleaning program | 3,17 | 3,08 | 0,09 | 3,22 | 3,19 | 0,03 |
| 4 | There is a catalog of advertising products | 3,19 | 3,11 | 0,08 | 3,29 | 3,21 | 0,08 |
| PLACE | | | | | | | |
| 1 | Location convenient to reach | 3,1 | 3,08 | 0,02 | 3,14 | 3,2 | -0,06 |
| PEOPLE | | | | | | | |
| 1 | Friendly service | 3,14 | 3,14 | 0 | 3,21 | 3,12 | 0,09 |
| 2 | Store assistant who is knowledgeable about the product | 3,03 | 3,1 | -0,1 | 3,09 | 3,19 | -0,1 |
| PROCESS | | | | | | | |
| 1 | Flexible booking system | 3,34 | 3,05 | 0,29 | 3,24 | 3,08 | 0,16 |
| 2 | The existence of a credit rating system | 3,2 | 3,03 | 0,17 | 3,19 | 3,23 | -0,04 |
| PHISICAL EVIDENCE | | | | | | | |
| 1 | Product perfection | 3,18 | 3,17 | 0,01 | 3,06 | 3,14 | -0,08 |
| 2 | Product hygiene | 3,14 | 3,13 | 0,01 | 3,27 | 3,26 | 0,01 |
| 3 | There is an expiration date | 3,2 | 3,05 | 0,15 | 3,22 | 3,06 | 0,16 |

Table 1: IPA Matrix

Source: Research Questionnaires

Quadrant II (Focus Improvement Here) explains the weaknesses of Izara Cookies, in addition to being an opportunity to increase customer loyalty and enlarge its market share by improving several research variables towards

optimization. All variables (Product diversity, Price matches quality, There is a warehouse cleaning program), There is a catalog of advertising products, and Product hygiene) in this quadrant have a high level of importance but have a low level of performance, so the performance for some of the variables of this research needs to be improved.

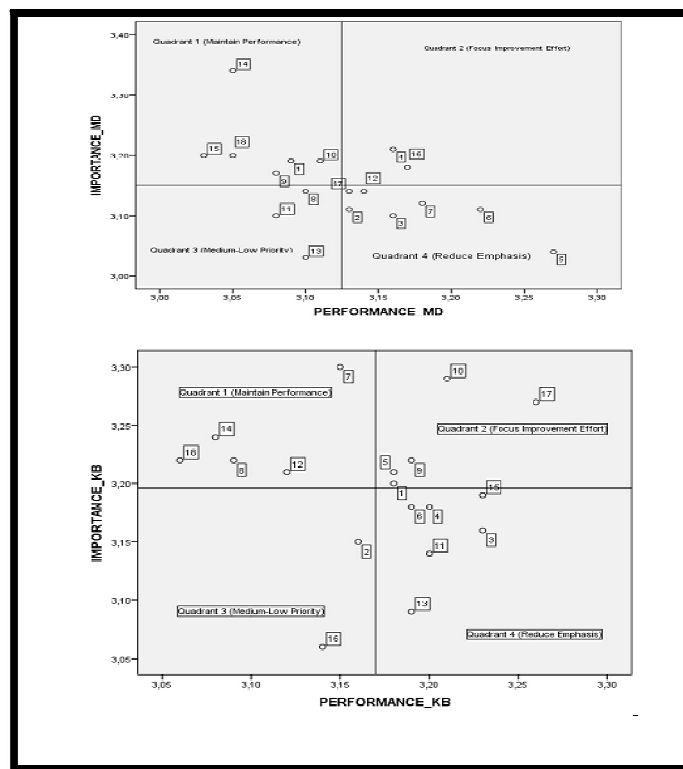


Figure 1: IPA Matrix Medan and Kota Bharu
Source: Research Questionnaires

Quadrant III (Medium-Low Priority) describes some variables (Product quality, and Product perfection) in the eyes of Izara Cookies customers as not so important and in reality, the performance of Izara Cookies itself indeed indicates that some variables in this quadrant are not so important for its customers, so the variables in this quadrant can be ignored, but still sensitive to market conditions.

Quadrant IV (Reduce Emphasis) can be explained as a variables (Product availability, The manufacturing process follows the market's taste, Price equals amount, Location convenient to reach, Store assistant who is knowledgeable about the product) in the eyes of Izara Cookies customers having a low level of importance.

Following are the criteria to find out the level of satisfaction of service recipients to the performance of service providers. CSI for ABC Kue Basah is 78.11 means customers are satisfy with the services, and CSI for Izara Cookies are 79,93 means customers are satisfy with the services. This can be seen in the following table:

| No | MARKETING MIX 7 P | MEDAN | | KOTA BHARU | | MEDAN OIA BHARU | | | |
|----|--------------------------------------------------------|--------|---------|------------|--------|-----------------|--------|-------|-------|
| | | MIS_MD | MSS_MD | MSS_KB | MSS_KB | WFI_MD | WFI_KB | WS_MD | WS_KB |
| 1 | Product diversity | 3,19 | 3,09 | 3,20 | 3,18 | 5,63 | 5,56 | 17,38 | 17,80 |
| 2 | Product quality | 3,11 | 3,13 | 3,15 | 3,16 | 5,48 | 5,48 | 17,17 | 17,25 |
| 3 | Product availability | 3,10 | 3,16 | 3,16 | 3,23 | 5,47 | 5,49 | 17,27 | 17,36 |
| 4 | The manufacturing process follows the market's taste | 3,21 | 3,16 | 3,18 | 3,20 | 5,66 | 5,53 | 17,89 | 17,58 |
| 5 | Price matches quality | 3,04 | 3,27 | 3,21 | 3,18 | 5,36 | 5,58 | 17,53 | 17,91 |
| 6 | Price equals amount | 3,11 | 3,22 | 3,18 | 3,19 | 5,48 | 5,53 | 17,66 | 17,58 |
| 7 | There are discounts on certain qualities | 3,12 | 3,18 | 3,30 | 3,15 | 5,50 | 5,74 | 17,50 | 18,93 |
| 8 | Advertising | 3,14 | 3,10 | 3,22 | 3,09 | 5,54 | 5,60 | 17,16 | 18,02 |
| 9 | There is a warehouse cleaning program | 3,17 | 3,08 | 3,22 | 3,19 | 5,59 | 5,60 | 17,22 | 18,02 |
| 10 | There is a catalog of advertising products | 3,19 | 3,11 | 3,29 | 3,21 | 5,63 | 5,72 | 17,49 | 18,81 |
| 11 | Location convenient to reach | 3,10 | 3,08 | 3,14 | 3,20 | 5,47 | 5,46 | 16,84 | 17,14 |
| 12 | Friendly service | 3,14 | 3,14 | 3,21 | 3,12 | 5,54 | 5,58 | 17,39 | 17,91 |
| 13 | Store assistant who is knowledgeable about the product | 3,03 | 3,10 | 3,09 | 3,19 | 5,34 | 5,37 | 16,56 | 16,60 |
| 14 | Flexible booking system | 3,34 | 3,05 | 3,24 | 3,08 | 5,89 | 5,63 | 17,96 | 18,25 |
| 15 | The existence of a credit rating system | 3,20 | 3,03 | 3,19 | 3,23 | 5,64 | 5,54 | 17,10 | 17,69 |
| 16 | Product perfection | 3,18 | 3,17 | 3,06 | 3,14 | 5,61 | 5,32 | 17,78 | 16,28 |
| 17 | Product hygiene | 3,14 | 3,13 | 3,27 | 3,26 | 5,54 | 5,68 | 17,33 | 18,59 |
| 18 | There is an expiration date | 3,20 | 3,05 | 3,22 | 3,06 | 5,64 | 5,60 | 17,21 | 18,02 |
| | SUM | 56,71 | 56,25 | 57,53 | 57,06 | | | | |
| | | WT_M | 312,429 | CSI_MD | 78,11 | | | | |
| | | WT_KB | 319,726 | CSI_KB | 79,93 | | | | |

Table 2: Customer Satisfaction Index (CSI)
Source: Research Questionnaires

MSME Marketing Strategies of ABC Kue Basah derived from the results of the IPA analysis, is by increasing the value of the current condition (performance) of the variables in quadrant I. In Figure 1 it is shown that the variables in quadrant I are: 1) product diversity, 2) clean warehouse, 3) advertising catalog, 4) flexible booking system, 5) credit system, and 6) expired date. Quadrant I shows the most important variables in marketing ABC Kue Basah Products, but the condition or level of performance is still poor. How So that the variables in this quadrant become the main priority for improvement. However for Izzara Cookies 1) discounts on certain qualities, 2) Advertising, 3) Friendly service, 4) flexible booking system, and 6) expired date are the most important variables in marketing Izzara Cookies Products

Quadrant II shows the variables : 1) manufacturing follows the market taste, and 2) product perfection that are considered important in marketing ABC Kue Basah products with good conditions. So what is needed is a minimum to maintain the condition of the variables in it. Izzara Cookies : 1) Product diversity, 2) Price matches quality, 3) warehouse cleaning program, so what is needed is a minimum to maintain the condition of the variables in it.

Quadrant III shows the variables for Izzara Cookies Product 1) quality, and 2) Product perfection that are considered less important in marketing products with unfavorable conditions. So the problems in the variables in it can be ignored. Quadrant III shows the variables for ABC Kue Basah Products 1) advertising, 2) location convenient to reach, 3) Store assistant who is knowledgeable about the product, and 4) Product perfection are considered less important in marketing products with unfavorable conditions. So the problems in the variables in it can be ignored

Quadrant IV shows the variables for Izzara Cookies products 1) Product availability, 2) manufacturing process follows the market's taste, 3) Price equals amount, 4) Location convenient to reach, 5) Store assistant who is knowledgeable about the product, are considered less important in marketing Izzara Cookies products in good condition. So what is needed is to maintain the condition of the variables in it. Quadrant IV shows the variables for ABC KUE Basah products 1) Product quality, 2) Product availability, 3) Price matches quality, 4) Price equals amount, and 5) discounts on certain qualities, are considered less important in marketing ABC Kue Basah products in good condition. So what is needed is to maintain the condition of the variables in it.

6. Conclusion

From the results of the study concluded that the marketing strategy :

- ABC Kue Basah encouraged to make first priority marketing strategy for Process, and Promotion
- Izzara Cookies can be encouraged to make marketing strategy for Promotion
- Consumer Satisfaction Index for both companies are good, and Izzara Cookie has higher CSI than ABC Kue Basah

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