MARKETING STRATEGIC OF UKM ON HOME INDUSTRY IN SERUNI VILLAGE SIDOARJO REGIONAL (STUDY CASE UKM GAGO)

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ABSTRACT

Research location is at shoes production village in Seruni Sidoarjo, which is shoes production home industry. As shoe production village, this area has potential to evolve becoming shoe home industry centre which later become Sidoarjo Icon. Tourist coming to Sidoarjo will be visiting this area to buy typical Sidoarjo shoes. This research purposed is to acknowledge internal and external factor which are influencing, formulating strategic alternative and determining strategic priority which are able to be implemented to market shoe production on Home Industry on Seruni Sidoarjo. Method used in this research is descriptive methods. Data analysis methods used are (1) IFE and EFE matrix to identify strategic factors, (2) IE matrix is to acknowledge UKM position (3) SWOT matrix to know marketing strategic alternative and (4) SPACE to acknowledge marketing strategic priority of shoe production on home industry at Seruni Village Sidoarjo District (Kabupaten Sidoarjo)
This research will be in scientific paper publication on seminar and journal, hopefully the result also can increase UKM marketing effort to develop its marketing centre in order to increasing the welfare of the society. Long term goal of the research is to marking Seruni Village into shoe industry market centre and also growing awareness of product brands which these craftsmen, becoming next focus activity in order to introduce the product to a wider market, nationally and internationally.

Keywords : Marketing. EFAS, EFAS, SWOT, SPACE

INTRODUCTION

Small and Medium Entreprises (UKM) is one of economic power leader. So UKM is an important aspect in economic development (Akita and Alisjahbana,2002). In state policy guidelines there are clearly described that populist economic role based on UKM (Aminudin, 2003 and Devarajan, 2002). Compared by developed countries, Indonesia has lost medium industry group on industrial structure. Therefore on one side there are small amount of big companies and on the other side there are abundant number of small companies oriented on domestic market (Ayyagari,2003). East Java Province as a part of UKM development center

based on indirect export also has interest to determine strategic planning on UKM development based on its export (Gradstein,2003).

UKM role on regional economy is still low because funding access is difficult, despite of credit scheme, the difficulty to gain raw materials and marketing UKM products on local market, unprepared to face global era competition, low level of information source access (market, technology and design) and also low acknowledge of technology (Nasution,2003). Cluster programs are considered more beneficial compared with individual enterprise programs, not only its cost efficiency, but external economy also gives sort of benefit for cluster, cluster enterprises can achieve several benefits which can be developed and also spread if they actively continues. For example, centralization of geographical UKM in the cluster can develop enterprises awareness – effort to supply needed products –. Cluster on UKM later can be on more beneficial position to gain order. Marketing and joint purchasing are typical examples on collective actions. In order to increase the capacity of collective UKM in a cluster, therefore internal relation beside external relation with outside concerned parties should be promoted (Sallatu and Suhab,2003)

RESEARCH PURPOSE

1. To identify internal and external factors faced by UKM in performing product marketing
2. To determine proper strategic marketing priority for UKM in the future to gain market

LITERATURE REVIEW

Positioning is one of steps performed by UKM in order to attract more customers and also to maintain them (Yin Wong, 2005). *Positioning* performed by UKM is creating brand image of its products to the society in their environment, the purpose is similar with what big companies do, the difference is that the way they do it is more unique, which is by always satisfying their customer for their need of the product and always making the customers as main orientation on ongoing innovation. Later that policy will make UKM marketing keeps growing in responding new products and market demand, on the other hand it keeps satisfying customer (Abimbola, 2007).

MARKETING STRATEGIC

Teguh (2003;28) declare that marketing concept is matching company capability with the needs and wishes of customer to achieve mutually beneficial relation. Definition of product by Johannes (2004:19) is goods which are produce resulted to fulfill consumer mutualism needs based on profit and added value due to transaction in a market. It means product marketing is an action to match company ability to produce product which can be sold or purchased in a beneficial transaction.

SWOT ANALYSIS

SWOT analysis is identification of many factors systemically to formulating company strategic (Rangkuti, 2001). This analysis is based on logic which can maximize strengths and opportunities but at the same time can minimize weakness and treats. SWOT analysis is a systematic way to identification those four factors and strategic which is describing the best match between them (Pearce and Robinson; 1997). Therefore strategic planning must analyze company strategic factors (strength, weakness, opportunities and treats) in current condition. Company strategic factors compiled on SWOT matrix, which is describing clearly how external

opportunities and treats the company deals with can be modified by it strength and weakness. This matrix can produce four strategic alternative cell (Rangkuti, 2001)

EXTERNAL STRATEGIC FACTOR MATRIX

(Rangkuti, 2009). Before making external strategic factor matrix, it is needed to know *External Strategic Factor (EFAS)*. These are how to determine *external strategic factor (EFAS)*.

1. Determine factors which become opportunities and treats to the company in column 1
2. Value each of those factors in scale 1,0 (important) until 0,0 (not important) based on those factors influences on company strategic position (the amount of all those values must not exceed total score 1,00)
3. Count rating (in column 3) for each factor by scaling from 5 (*outstanding*) until 1 (*poor*). Positive variable (variable included in category opportunities) is given value +1 until compared by the rate of all industry and with main competitor. For negative variable is the opposite.
4. Multiply value and factors in column 2 with rating in column 3, to achieve value factor in column 4. The result is score value for each factor which value are varied from 5,0 (outstanding) until 1,0 (poor).
5. Using columns to give 5 for comments or notes why selecting specific factor and how the score value is counted.
6. Adding scores (on column 4) to achieve total value score for the relevant company. Total value shows how certain company reacted toward those external strategic factors.

RESEARCH METHODS

On this research, first of all formulate main problems faced by small enterprises owner in UKM leather product industrial cluster especially shoes in Sidoarjo District altogether, so that a considered important issue can be identify and a plan can be made as below :

1. Making statistic data related to the growth and development of small business owner in UKM leather goods industry cluster especially shoes in Sidoarjo District which included growth demands of goods/sales domestic and overseas, income growth, increasing net profit, added number of asset or capital etc.
2. Identification of strength, weakness, opportunities and treats which is owned by small business owner in UKM leather goods industry cluster especially shoes in Sidoarjo District to create SWOT matrix.
3. Surveying to competitor of small business owner in UKM leather goods industry cluster especially shoes in Sidoarjo District.
4. Designing a marketing strategic which fits for small business in UKM leather goods industry cluster especially shoes in Sidoarjo District, so hopefully these strategic can make small business grows more.

RESEARCH LOCATION
The location of this research is at
UKM Shoe Products GAGO in Seruni Sidoarjo

RESULT AND DISCUSSSION
PRODUCTION PROCESS
Production process of shoe can be explained as below:
The production process can be seen in chart drawing below:

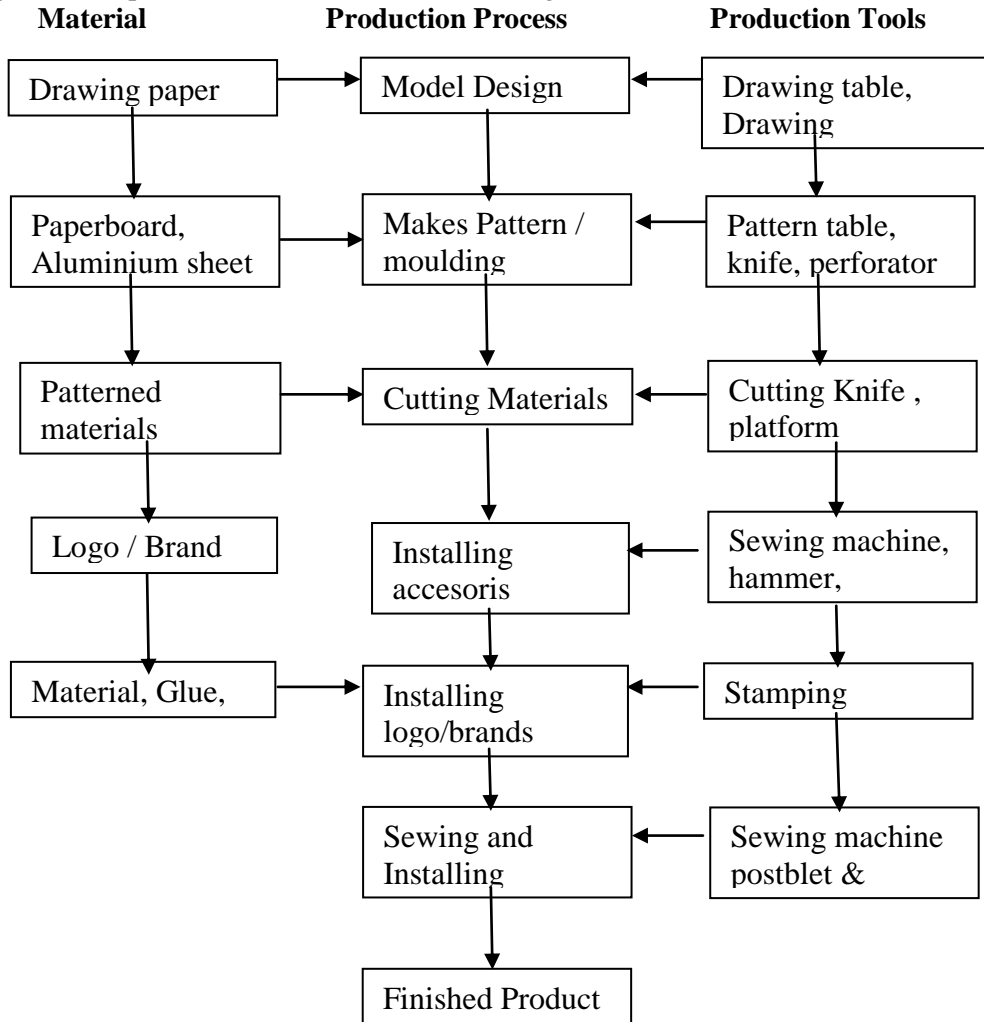| Material	Production Process	Production Tools
Drawing paper	Model Design	Drawing table, Drawing
Paperboard, Aluminium sheet	Makes Pattern / moulding	Pattern table, knife, perforator
Patterned materials	Cutting Materials	Cutting Knife , platform
Logo / Brand	Installing accesoris	Sewing machine, hammer,
Material, Glue,	Installing logo/brands	Stamping
	Sewing and Installing	Sewing machine postblet &
	Finished Product	

Figure 1. Production Process

COMPETITIVE PROFILE MATRIX

Position based on quality can be seen on this picture below

Table 1. Position Value based on Quality:

Description	VALUE	GAGO		LAZER		NASOR		MARLON	
		RATING	VALUE	RATING	VALUE	RATING	VALUE	RATING	VALUE
Material Quality	0.241	3.43	0.83	2.93	0.71	3.07	0.74	2.79	0.67
Model	0.241	3.14	0.76	3.36	0.81	2.57	0.62	2.71	0.65
Visual	0.121	2.71	0.33	3.00	0.36	1.86	0.22	2.71	0.33
Colour	0.202	2.57	0.52	2.86	0.58	1.79	0.36	2.50	0.51
Feature	0.195	3.00	0.59	3.00	0.59	1.93	0.38	3.00	0.59
	1.000		3.02		3.04		2.32		2.74

Table2 . Position Value based on Prize:

Description	VALUE	GAGO		LAZER		NASOR		MARLON	
		RATING	VALUE	RATING	VALUE	RATING	VALUE	RATING	VALUE
Cheap	0.271	4.14	1.12	3.21	0.87	3.14	0.85	2.36	0.64
Capital	0.241	3.29	0.79	3.14	0.76	3.29	0.79	2.07	0.50
Discount	0.151	2.86	0.43	2.86	0.43	2.50	0.38	1.64	0.25
Installment	0.162	1.71	0.28	2.14	0.35	1.71	0.28	1.57	0.25
Promotion	0.175	2.50	0.44	2.71	0.48	2.21	0.39	1.71	0.30
	1.000		3.06		2.88		2.69		1.94

Based on table 2 value position based on prize highest is UD GAGO with score 3,06. Second UD LAZER with score 2,88; UD NASOR with score 2,69 and last one is UD MARLON with score 1,94.
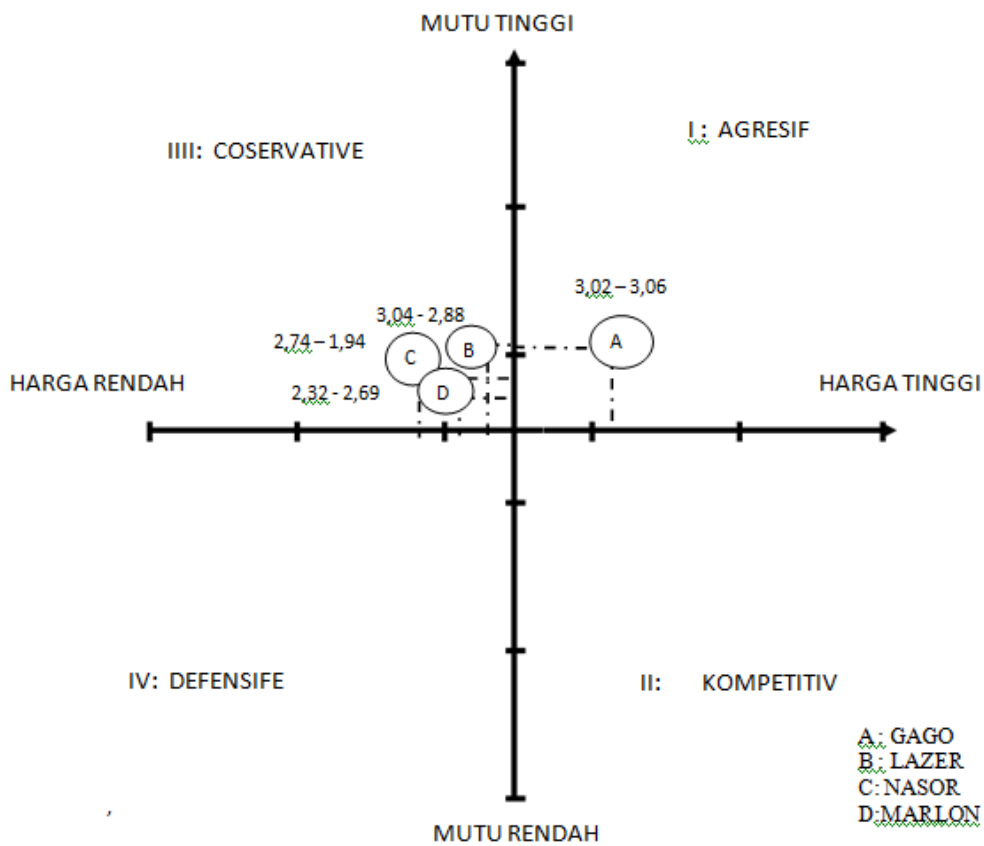
Figure 2. Position of four UKM

FORMULATION OF BUSINESS DEVELOPMENT STRATEGY

Table 3. IFE IKM GAGO

	A. STRENGHT	VALUE (a)	RATING (b)	SCORE (c=a+b)
1	Ease of gaining raw materials	0.071	3.50	0.249
2	Having a leader who is social-minded , responsible, smart, high spirit and great entrepreneur	0.073	4.57	0.334
3	Having a product with economic value and highly competitive.	0.041	3.64	0.149
4	Having support tools with modern technology.	0.032	2.71	0.087
5	Maintaining good familial work ambience and mutual cooperation between employee & managerial team work	0.071	4.14	0.294

		VALUE	RATING	SCORE
6	Products prize affordable by many level of customers	0.081	3.86	0.312
7	The brand is well known	0.041	3.79	0.155
8	Job coordination is more efficient because manages directly by owner	0.091	4.29	0.390
	Total (A)	**0.501**	**30.50**	**1.970**
	B. WEAKNESS			
1	UKM still does the action independently by simple tools	0.071	3.79	0.269
2	Human source have lack of education	0.043	3.07	0.132
3	Limited infrastructure	0.048	2.93	0.141
4	Financial System is still simple	0.043	2.86	0.123
5	Limited capital	0.054	2.79	0.150
6	Production based on order, therefore there are no stock	0.084	3.64	0.306
7	Capital dependency on the wholesale	0.065	3.64	0.237
8	Selling price dominated as wholesale price	0.091	3.93	0.358
	Total (B)	**0.499**	**26.64**	**1.715**
	Total (A+B)	**1.000**		

From scoring the strength factors owned by UD GAGO is scored 1,970. Weakness value of UD GAGO is scored 1,715. This is showing that strengths value of UD GAGO is overpowering the company weakness because there is difference between strength and weakness by 0,255.

EXTERNAL ENVIRONMENT ANALYSIS (EFE)

Table 4. Matrix EFE UD.GAGO

	A. OPPORTUNITIES	VALUE (a)	RATING (b)	SCORE (c=a+b)
1	Development of government economic by UKM program	0.071	4.14	0.294
2	Government support on progressing non oil and gas sector through Minister of Industry and Trade	0.073	3.43	0.250
3	The growing demand of shoes market is available	0.072	3.71	0.267
4	Establish a good cooperation with the government as an effort to develop economic sector	0.072	2.86	0.206
5	Sufficient stock of raw materials	0.071	3.29	0.233
6	Technology Advances	0.081	3.29	0.266

7	Good relationship between distributor and big store as partners	0.091	4.00	0.364
8	Changing lifestyle of the society	0.081	3.50	0.284
	Total (A)	**0.612**	**28.21**	**2.165**
	B. TREATS			
1	Purchasing power of the society is still low	0.071	3.64	0.259
2	Many similar products from the competitor are circulating	0.083	3.71	0.308
3	Customer taste is always changing	0.071	3.36	0.238
4	Supplier capacity	0.082	3.07	0.252
5	New competitor	0.081	3.14	0.255
	Total (B)	**0.388**	**16.93**	**1.312**
	Total (A+B)	**1.000**		

Source : processed primary data

SPACE MATRIX ANALYSIS

Range number on x axis and y axis are frequently used, but other score can be determined if it is considered proper for certain organization. As from SWOT calculation result above it can be determined a calculation for E (Environmental Stability), CA (Competitive Advantage), IS (Industrial Strength) and FS (Financial Strength) as below :

IS Rate : (S – W : 5) = (1,970 – 1,715 : 5) = 0,051
ES Rate : (S – O : 5) = (1,970 – 2,165 : 5) = - 0,039
FS Rate : (S – T : 5) = (1,970 –2,312 : 5) = - 0,068
CA Rate : (O – T : 5) = (2,165 – 2,312 : 5) = - 0,029

Vector Coordinate on the direction of x axis (FS) : IS + CA= 0,051+ (-0,039) = 0,012
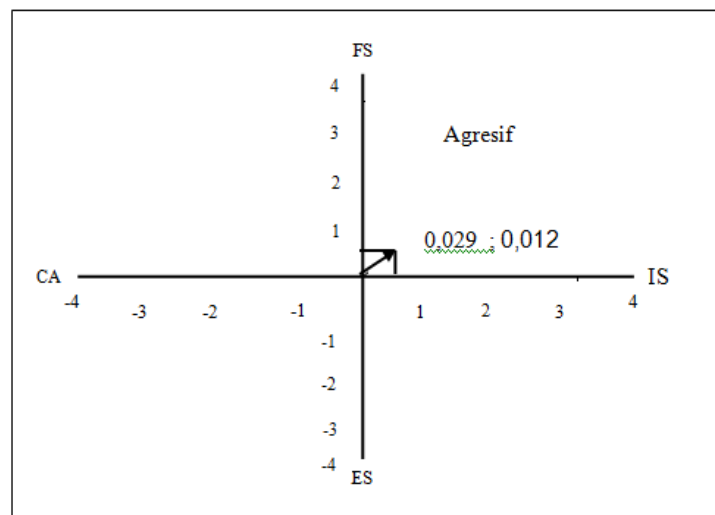y axis (IS):ES + FS = - 0,039 +0,068 = 0,029

Figure 3. SPACE Matrix Calculation Result

From the picture above, x axis is at point 0,012 and y axis is at point 0,029 on quadrant 1, this quadrant 1 is a very beneficial situation. The company is having an opportunity and strength so it can utilize the opportunity. The implementation strategy in this condition is to support an aggressive growth policy.

Table 5. SWOT UD GAGO MATRIX

	STRENGHT (S)	**KELEMAHAN**
	1. Raw materials are easy to get 2. Having a social minded leader who is responsible, smart , high spirit and good entrepreneur 3. Having a product with economic value and highly competitive. 4. Having support tools with modern technology. 5. Maintaining good familial work ambience and mutual cooperation between employee & managerial team work 6. Products prize affordable by many level of customers 7. The brand is well known 8. Job coordination is more efficient because manages directly by owner	1. UKM still does the action independently by simple tools 2. Human source have lack of education 3. Limited infrastructure 4. Financial System is still simple 5. Limited capital 6. Production based on order, therefore there are no stock 7. Capital dependency on the wholesale 8. Selling price dominated as wholesale price
OPPORTUNITY 1. Development of government economic by UKM program 2. Government support on progressing non oil and gas sector through Minister of Industry and Trade 3. The growing demand of shoes market is available 4. Establish a good cooperation with the government as an effort to develop economic sector 5. Sufficient stock of raw materials 6. Technology Advances 7. Good relationship between distributor and big store as partners 8. Changing lifestyle of the	**S-O STRATEGY** 1. Arranging business management to gain capital from government/investor 2. Using training and exhibition facilitated by government, due to this business is absorbing a lot of human resources and eco friendly 3. Try to expanding shoes marketing area outside Sidoarjo district, outside Java island and overseas 4. Encourage government to seek out business partner especially for marketing because the product have high absorbtion and selling point. 5. Having many relationship with supplier	**Strategi W-O** 1. Finding partner who is able to seek out capital fund or tools 2.Using practice training programs from government or universities 3. Join the right business partner to do business 4. Attending accountancy and finance training 5. Using micro funding credit from the government / bank

society		
TREATS 1. Purchasing power of the society is still low 2. Many similar products from the competitor are circulating 3. Customer taste is always changing 4. Supplier capacity 5. New competitor	**Strategi S-T** 1. Selling shoes product outside Sidoarjo District through exhibition facilitated by government or other institution. 2. Partnership with campus to develop model, design, promotion and marketing 3. Market survey and follow up costumer taste toward product by internet or mass media 4. Seek and maintain relationship with supplier in big cities such as Surabaya or Jakarta 5. Always try to fix any product weakness and improve products efficiency and effectiveness	**Strategi W-T** 1. Maximizing simple tools to be well used by the craftmen 2. Learning good production system at Work Training Centre or in a successful company 3. Using partners to become subcontractor for production 4. Need to arrange cash flow, transaction and stock report 5. Production according to customer order request

SWOT ANALYSIS

From a done calculation, it is achieved coordinate x axis and y axis as (0,255 ; 0,853) which will be mapped in SWOT matrix as picture below

Picture 4. SWOT Analysis
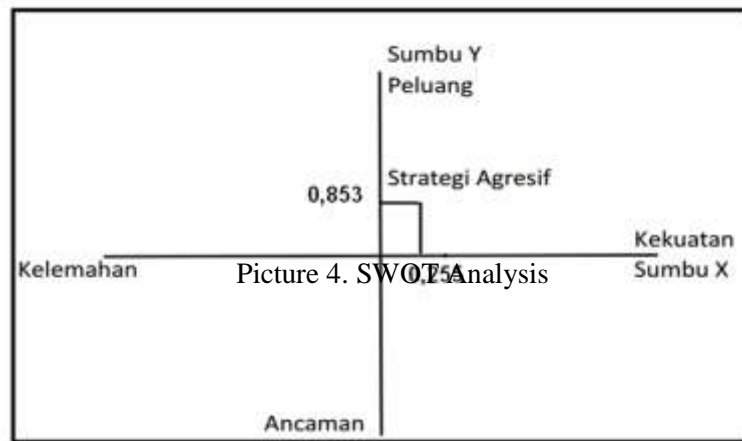
CONCLUSION

1. Maintain cooperation with offices and other institutions such as financial institution and other universities for funding access and promotion
2. Applying effective and efficient work ethics so high productivity can be achieved
3. Trying to market the product outside Sidoarjo area
4. Normalizing price or pressing the price below competitor price or at least similar with the

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