

# Position Analysis of Small-Medium Business Strategy on Medan Batik

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## Abstract

This study aims to develop appropriate strategies in marketing for small and medium enterprises, especially small and medium enterprises Medan batik located in Medan Deli District. The data collected in this study using interviews, documentation and focus discussion group. Analytical tool used is qualitative analysis especially SWOT. Based on SWOT analysis, it is found that: strength of Medan small-scale batik business is sufficient capital owned either from the capital of the business owner and from some state-owned enterprises (SOE's) that provide soft loan assistance, from a variety of motives and materials provided by business owners, production facilities that have been standardized. Weaknesses: The location of the business is far from raw materials because some of them are still provided from the island of Java, the promotion is still less because the owner still rely on bazaars from local municipal government and word of mouth, poor business management, and inadequate employee operational skills. Opportunities: demand for batik products is quite high, especially from certain institutions or institutions in the city of Medan, the number of competitors in the city of Medan that has not been much especially competitors batik in Medan Tembung Sub district and District Denai, CSR (Corporate Social Responsibility) assistance from the company especially PT. Bank Sumut (Local Government Bank) and PT. Pertamina (Government Oil Company). Threats: weather factors, especially rainy weather that inhibits the production process, local government policy that has not been optimal, the progress of digital technology, and the price of expensive raw materials because purchased from outside the city of Medan. Judging from the analysis diagram of Batik Azzahra SWOT known that the SO Strategy (Strength and Opportunity), which is suitable used Azzahra batik foundation. This SO or aggressive strategy is based on the company's way of thinking, by utilizing all the power to seize and exploit the greatest opportunity.

**Keywords:** Marketing Strategy, SWOT Analysis, SMEs, Batik Medan.

## 1. Introduction

In general, the economic growth of Medan city is inseparable from the contribution of Small Medium Enterprises (SMEs). This can be seen from the number of SMEs that quite a lot, with the number of approximately 242,890 SMEs which consists of the type of business trading services, handicraft industry and various other businesses. Based on data from the Central Bureau of Statistics, the proportion of micro, small and medium enterprises reached 99.8% of the total economic business in Medan. That is, the number of SMEs reaches almost 500 times the number of large businesses. Nevertheless, the contribution of SMEs to the city of Medan is estimated to reach only 39.8% while large businesses reach 60.2%. This shows the strongest of large business sector and still limited the sector of SMEs.

Batik craft is one of the creative industries that are quite developed in Indonesia. The uniqueness of typical works with the arts and culture of the country has attracted people all over the country in the world. Evidently, many people who are interested and looking for handicraft products are willing to hunt everywhere to get it.

Small Medium Enterprises "Batik Azzahra" is one of the SMEs who pioneered Medan Batik Products located in Mabar Village. Batik Azzahra display unique designs and ethnic patterns typical of North Sumatra and also the icon of the city of Medan such as becak (traditional transportation), Masjid Raya Medan, Tjong Afi, and durian motif. Batik Azzahra priced starting from IDR 75.000 per meter.

During this Batik existence in the city of Medan is less well known by the wider community because among the business of batik handicraft is less understood strategy in marketing. Most of them still sell them in conventional ways, such as in the market, open a shop, to follow bazaars and exhibitions to introduce their products.

In the development of the digital era as it is today, the media product sales have started to switch to digital media. Digital media is a term that is used in the emergence of digital, Internet networks, especially computer information technology. The mass media switch to new media or the internet because there is a cultural shift in an information delivery. The ability of new media (digital) that makes it easier for people to receive information faster. So to maintain the survival of the company, especially in running business activities to gain profit SMEs Azzahra trying to improve and manage the strategy in marketing activities in order to increase product sales in the digital era as it is today. Marketing strategy is a strategy to serve the market or market segment targeted by an entrepreneur, so high sales is determined by the poor marketing strategy of the company to achieve its organizational goals.

## 2. Literature Review

Competition in various sectors is getting tighter in the current era of globalization. And this competition is unavoidable, not only domestic competitors but many foreign investors are growing into the Indonesian market. To be able to continue to maintain its existence, then a company, especially MSME must compete.

Strategies according to Gatignon and Jean (1997) are divided into ten schools, including entrepreneurship. Leadership is an important factor in this mahzab. The entrepreneurial spirit of the leader influences the company's strategy. Entrepreneurial orientation tends to have positive implications for company performance. The results of previous studies Beal (2000) identified a positive relationship between entrepreneurial orientation and business performance, as well as Beal (2000). However, Frank et al. (2010) entrepreneurial orientation has a negative effect on business performance. Likewise, previous research shows the weak relationship between entrepreneurial orientation and company performance (Lumpkin, 1996). The existence of the gap makes the researcher interested to re-examine the relationship of entrepreneurship orientation with company performance.

In order for a company, which in this case is a UMKM to benefit from the implementation of a strategy, it must go through competitive advantage. So that the entrepreneurial orientation in this study besides directly to performance is also predicted to affect performance through competitive advantage.

The entrepreneurial orientation is believed to have a direct relationship with the market orientation. Coyne (1997) found that entrepreneurial orientation encourages market orientation, so that the greater the level of entrepreneurial orientation, the greater the level of market orientation. According to Bharadwaj et al. (1993) entrepreneurial orientation is an orientation to try to be the first in market product innovation, dare to take risks and take proactive actions to defeat competitors.

According to Daneshvar (2010), market orientation is a corporate culture that can lead to increase marketing performance. Naver and Slater (1990) define market orientation as the most effective and efficient organizational culture to create behaviors needed to create superior value for buyers and produce superior performance for the company. Companies that have made market orientation, as an organizational culture will be based on external basic needs, market wants and demands as a basis for formulating strategies for each business unit within the organization, and determining the success of the company. According to Nerver and Slater (1990) suggests that market orientation has a positive effect on marketing performance, while Droge & Shownee (1994) states that market orientation has no relationship with performance while market orientation relationships are not directly related to performance, but through competitive advantage. Zhou et al. (2008) examined the relationship of market orientation, competitive advantage and company performance, with two dimensions in each variable.

Performance measurement uses financial and non-financial performance. The results of this study indicate that the market performance of full mediation on the relationship between the advantages of differentiation and financial performance. Elbanna and Alhwarai (2012) examined the effect of environmental uncertainty on organizational performance by taking two samples. The results of this study are product uncertainty is the only dimension of environmental uncertainty that is negatively related to performance, and there is a positive influence on the uncertainty of government policies on organizational performance in Egypt. Other dimensions of environmental uncertainty, namely competition uncertainty and economic uncertainty have no effect on organizational performance. Different results with research conducted Bharadwaj et al. (1993) and also Getz & Frederick (1989). The relation of competitive advantage to performance is predicted to increase through the perception of environmental uncertainty.

Coyne (1997) found that entrepreneurial orientation encourages market orientation, so that the greater the level of entrepreneurial orientation, the greater the level of market orientation. Mahmood and Hanafi (2013) study found that entrepreneurial orientation is related to competitive advantage. In addition, Zhou et al. (2008) which describes the relationship of market orientation, competitive advantage and performance.

Beal (2000), Awang (2009), Hassim et.al (2011), Mahmood and Hanafi (2013), which states that there is a positive relationship between Entrepreneurship Orientation and Business Performance. That the higher the orientation of entrepreneurship then the company's performance will also be higher. Entrepreneurial orientation is an antecedent of market orientation, so that this influences the results of the relationship to be insignificant.

The relationship between Market Orientation and Performance is insignificant. This study differs from many other studies that have examined the relationship of market orientation and performance such as Getz & Frederick (1989), Droge & Shownee (1994), Narver and Slater (1990), Liao (2007), Zhou et al. (2008) to Mahmood and Hanafi (2013). Previous research shows that market orientation has a positive effect on company performance. The results in this study indicate that market orientation has no effect on performance, in the study of Kutcher (2001) it is known that market orientation affects performance by first through innovation. Whereas according to Cross (1999) the implementation of corporate strategy will not directly affect the company's performance. In order for the company to benefit from the implementation of the strategy, it must go through competitive advantage.

Getz & Frederick (1989) research found a relationship between competitive advantage and company performance. While the research of Mahmood and Hanafi (2013) examines the mediating effect of competitive

advantage on the relationship of Entrepreneurship Orientation to Company Performance and shows the results that competitive advantage mediates partially on the relationship of entrepreneurial orientation to company performance. In accordance with Cross (1999) that strategy cannot directly influence but first with the creation of competitive advantage.

Zhou et al. (2008) examined the relationship of market orientation, competitive advantage and company performance, with two dimensions in each variable. The results of this study indicate that the market performance of full mediation on the relationship between the advantages of differentiation and financial performance. Similar to its entrepreneurial orientation, market orientation is also a strategy that does not directly affect performance, but through competitive advantage. The Perception Variable of Environmental Uncertainty does not moderate the relationship of Competitive Advantages and Performance. The influence of moderation is caused by other variables, in this study is not by the perception of environmental uncertainty. So that the perception of environmental uncertainty is not able to influence the relationship of competitive advantage and performance.

### 3. Research Method

This research is a descriptive research. Type of descriptive research in general does not require a hypothesis so that in the step of his research does not need to formulate the hypothesis. Data collection techniques in this study are as follows: 1) Collecting data from Azzahra batik craftsmen, 2) Identify the strategies already implemented for the development of SMEs, 3) Identify the strengths, weaknesses, opportunities and threats of the SKEs, and 4) Identify the strengths, weaknesses, opportunities and threats of programs that are rolled out for the batik craftsmen. Research data will be analyzed by descriptive qualitative by using SWOT analysis.

### 4. Finding and Discussion

This research was conducted on Batik Azzahra Foundation business located at Mabar Village, Medan Deli Sub-district. Mrs. Herleni established this business since 2014. Currently batik Azzahra has had approximately 10 workers consisting of artisans canting batik, batik craftsmen, officers, clerk, and fabric dye.

Batik Azzahra Foundation has the characteristic of North Sumatra Province and quite diverse consisting of rickshaw motifs, mosque motifs, water vat motif of North Sumatra, motif *tapak sirih*, cloves, *Cong A Fie* motif, *Karo* ethnic house motif, flowers motif, patterns of duck's. The price offered by Batik Azzahra Foundation is tailored to the type of fabric used, among others: cotton cloth IDR 150,000.00 per two meter, doobby fabric IDR 160,000.00 per two meter, silk fabric IDR 180,000.00 per two meter.

Batik business is one of the businesses that often get guidance from several state-owned companies such as PT. Pertamina and PT. Bank Sumut. But not yet fully handled professionally so that its development is relatively very slow.

Strategies that have been executed batik Azzahra among others as follows:

- 1) Marketing mix strategy applied still apply 4P marketing mix that is:
  - a) Product: batik motif typical of North Sumatra Province
  - b) Price: around IDR 75,000.00 per meter to IDR 90,000.00 per meter
  - c) Distribution channel (place): direct distribution system
  - d) Promotion: only use word of mouth from the relations and follow the expo and exhibition of small business.
- 2) Utilization of social media has not run optimally because the owner only use social media accounts such as facebook combined with personal accounts of Azzahra batik owners.
- 3) Batik Azzahra Foundation follows Partnership Program or better known as PKBL (Partnership Program and Community Development) by PT. Pertamina. This Partnership Program is aimed to improve the ability of small business partners of Pertamina assisted to be strong and independent as well as provide a multiplier effect for improving the welfare of the community surrounding Pertamina's operations area. The output (output) generated in this program is the implementation of several expo and exhibition in several cities in Indonesia.
- 4) Batik Azzahra is also a business of PT. Bank Sumut. This cooperation helps the availability of capital for small business actors with the help of soft loan credit from PT. Bank Sumut with initial aid capital of IDR 35,000,000.00
- 5) The participation of Batik Azzahra Foundation in exhibition title held by Medan City Government is also one of promotion strategy undertaken by this business.

Strategic analysis of internal factors includes factors that support strengths and weaknesses. The total factor score for this analysis was 2.73. The biggest score for power factor comes from sufficient capital, considerable product variation, standardized production facility. While the big weakness is the effort far from raw materials, less promotion, poor corporate management, and inadequate employee operational skills.

**Table 1. Evaluation of Company's Internal Factor**

Aspect	Answer	Weight	Rating	Weight x Rating
Promotion	2	2/18 = 11%	2	0,22
Enterprises close to raw materials	2	2/18 = 11%	1	0,11
Product variations	4	4/18 = 22%	3	0,66
Production Facilities	3	3/18 = 17%	3	0,51
Employee operational skills	2	2/18 = 11%	3	0,33
Management company	2	2/18 = 11%	2	0,22
Capital	3	3/18 = 17%	4	0,68
<b>Total</b>	<b>18</b>	<b>100%</b>	<b>18</b>	<b>2,73</b>
<b>Average</b>				<b>0,39</b>

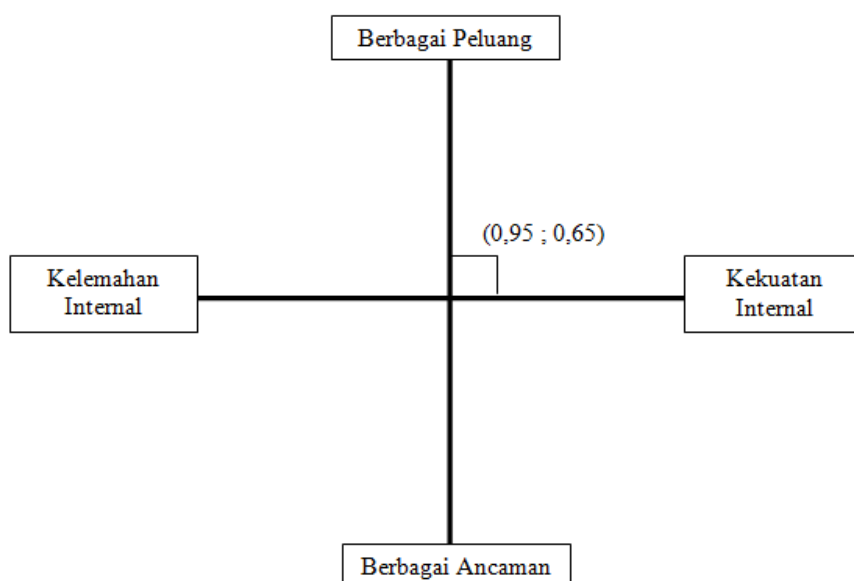
Strategic analysis of external factors includes factors that support opportunities and threats. The total factor score for this analysis is 2.95. Biggest score for opportunity factor comes from product demand, competitor in Medan city which not yet many, and existence of CSR aid from company especially BUMN in Medan City. While threat factors include weather factors, not yet optimal local government policies, advances in digital technology, and expensive raw material prices.

**Table 2. Evaluations of External Factors**

Aspect	Answer	Weight	Rating	Weight x Rating
Product Request	3	3/20 = 15%	4	0,6
Raw material prices	3	3/20 = 15%	3	0,45
Competitors in the City	4	4/20 = 20%	3	0,6
Weather	2	2/20 = 10%	2	0,2
Local Government Policy	2	2/20 = 10%	2	0,2
CSR assistance from the company	3	3/20 = 15%	4	0,6
Advances in Digital Technology	3	3/20 = 15%	2	0,3
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>20</b>	<b>2,95</b>
<b>Average</b>				<b>0,42</b>

Based on evaluation table of condition of internal factor of company and evaluation table of condition of external factor of company known score for strength, weakness, opportunity and threat are: a) Strength score : 1.85, b) Weakness score : 0.88. c) Opportunity Score : 1.8 and d) Threat Score : 1.15.

The value of evaluation score of internal factor condition of company is 0,95 (strength minus weakness) and value of evaluation of condition of external factor of company is 0,65 (opportunity minus threat). Research shows that company performance can be determined by internal and external combinations. Both factors should be considered in the SWOT analysis. Where SWOT compares external factors of opportunity or threat with internal factors of strengths and weaknesses. Based on the results of the above scores, the image analysis diagram of SWOT Batik Azzahra as follows.



**Figure 1. Diagram of SWOT Analysis Azzahra Batik**

From the analysis diagram of Batik Azzahra SWOT known that SO Strategy (Strength and Opportunity)

which is suitable used Azzahra batik foundation. This SO or aggressive strategy is based on the company's way of thinking, by utilizing all the power to seize and take advantage of the greatest opportunities.

After doing focus group discussion with the management of Batik Azzahra Foundation, it can be mapped SWOT matrix as follows:

**Table 3. SWOT Matrix of Azzahra Batik**

	<b>Strenght</b> a. Capital that is sufficient b. The product variation is quite a lot c. Standard production facilities	<b>Weakness</b> a. Enterprises that are far from raw materials b. Promotions are still lacking c. Improper corporate management d. Inadequate employee operational skills
<b>Opportunity</b> a. Product demand, b. Competitors in the city of Medan that has not been much, c. The existence of CSR assistance from companies, especially SOEs in Medan City	<b>Strategy S-O</b> 1. Develop internet-based marketing to expand market share not only in Medan City but also outside Medan City 2. Introducing various product variations by making patent rights of Azzahra batik products and logos. 3. Working with several universities to develop a web portal based UMKM and student exchange for internships	<b>Strategy W-O</b> 1. Companies seek alternative raw materials due to increasing demand for batik raw materials in line with increasing product demand. 2. The company seeks customers or pareto distributors to enhance the promotion and sale of Azzahra batik. 3. Utilizing the training held by SOEs to improve skills and management skills and employees of batik Azzahra
<b>Threat</b> a. Weather factor, b. Local Government Policy that is not yet optimal, c. Advances in digital technology, d. Raw material prices are expensive	<b>Strategy S-T</b> 1. Provide a special room to minimize weather factor (rain) when drying batik cloth. 2. Recruiting new employees who are experts in the field of IT.	<b>Strategy W-T</b> 1. In cooperation with Desperindag Yogyakarta City to be able to register its employees in batik training 2. Joining the existing small industry institution or institution in Medan City so that the ukm players have the same standard to be able to compete in a broader level.

Marketing Strategy to increase Competitive Advantage on Batik Azzahra as follows:

- 1) Develop internet-based marketing To develop internet-based marketing can be done through blogs, websites, marketplace (tokopedia, bukalapak, shopee), social media (facebook and instagram) to expand market share not only in Medan but also outside Medan. The management of batik Azzahra can recruit or utilize one of its employees as social media marketing to develop internet-based marketing. Social media marketing is a very smart person in marketing something in the online world. Finding someone who understands the profession and being able to use this latest digital tool can be a complicated process. To find social media marketing that is suitable for Azzahra batik, some things to do are:
  - a. Find someone who understands marketing: Find someone who has proven able to gather an audience, promote a brand, and work with a team to acquire and retain customers.
  - b. Find someone who thinks critically: When recruiting social media marketing, ask about the hypothesis they have tried in their previous workplace. The best candidates will give you a detailed and indiscriminate explanation.
  - c. Execution to perfect: Do not place an apprentice or who have not been trained in this position.
  - d. If the company has already recruited, involve company management: Social media is not a magic that can be directly seen and perceived, therefore provide time to translate the company's culture and goals to new employees.
- 2) Create patents for products and logos  
 Introducing various product variations by making patent product and logo of Azzahra batik so as not to be misused by irresponsible party by utilizing CSR program fund. Patented products or logos must not be copied or traced without permission.

In order to patent the company's patents and logos, the Batik Azzahra Foundation can take care of it to the Ministry of Law and Human Rights Office by completing the administrative requirements, the application letter and the attachment, and the application form. When the payment process is completed, you enter the pending process by observing the following process:

- a. The Applicant of the Patent shall comply with all conditions
  - b. The Director General of Intellectual Property will give notice of the Patent after 18 months immediately after you have filed a Patent Application.
  - c. Announcement of the Patent will be held for 6 months with the objective of knowing the public response whether or not to object.
  - d. If the announcement stages are exceeded, your Patent Application will be accepted. Therefore, the applicant of the Patent right is entitled to exclusive rights relating to products and logos for 20 years from starting filling date.
- 3) Working with universities for MSE based web portal and student exchange for internships.  
In cooperation with several universities to develop UMKM web-based portal and student exchange for internship or street vendors (Practice Field Work) by utilizing standard production facilities.

## 5. Conclusions and Recommendation

This study aims to develop appropriate strategies in marketing for small and medium enterprises, especially small and medium enterprises Medan batik located in Medan Deli District. SWOT analysis compares the external factors of opportunities and threats with internal strength, weaknesses. From the analysis diagram of Batik Azzahra SWOT known that SO Strategy (Strength and Opportunity) which is suitable used Azzahra batik foundation. This SO or aggressive strategy is based on the company's way of thinking, by utilizing all the power to seize and take advantage of the greatest opportunities. As for some SO strategies are: 1) Develop internet-based marketing to expand market share not only in Medan City but also outside Medan City. 2) Introducing various product variations by making patent rights of Azzahra batik products and logos and 3) Cooperate with several universities to develop UMKM based web portal and student exchange for internship or street vendors (Field Work Practice).

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