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Analysis of Marketing Strategy in Micro, Small and Medium Enterprises (MSMEs) in the Digital Era

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ABSTRACT: Technological developments and increasingly high business competition mean that Micro, Small and Medium Enterprises (MSMEs) must have good marketing strategies to remain competitive with their competitors. This research was conducted to determine the marketing strategies carried out by MSMEs in facing competition in the digital era. The research method in this study uses a qualitative approach through structured interviews with actors or top level management of MSMEs. The results of the research show that for the culinary, fashion, and tour and travel industries, they provide added value and differentiation in the products and services provided, while in terms of price, they apply competitive and competitive prices. In contrast to the trading industry, they mostly use competitive pricing strategies, apart from that they also have a target market that tends to focus on niche markets so that their products can be accepted by the market. The application of technology is also being used more widely in the culinary, fashion, and tour and travel industries through websites and social media to build good relationships and communicate with consumers and audiences.

KEYWORDS: Marketing Strategy, Marketing Mix, MSMEs

INTRODUCTION

Background

The rapid development of technology means that business actors must also be quick to adapt to these changes. One form of technology that is widely used by people is social media. Indonesia is one of the countries with the largest level of social media users in the world, based on data from wearesocial.com (2018) which states that the number of active social media users in Indonesia in January 2018 was 130 million people with a penetration rate of 49% or growing by 23 % when compared to January 2017, the types of social media that are most accessed in Indonesia are YouTube (43%), Facebook (41%), Whatsapp (40%), and Instagram (38%). By looking at this phenomenon and opportunities, currently many MSMEs have utilized social media in their marketing strategy and marketing mix for the businesses they run. Based on research results from SMEs in the United States and Turkey, it shows that social media is now widely used as a tool in marketing strategies to create value for customers (Oztamur and Karakadilar, 2014).

Indonesia is a country with a large MSME sector, the number of MSME actors recorded in data from the Department of Cooperatives and Micro, Small and Medium Enterprises is 59.69 million. MSMEs are also one of the pillars of the Indonesian economy where this sector has a contribution. amounting to 62.57% of P D B in 2016 (industri.bisnis.com, 2018). Apart from that, based on a study conducted by Davis, Hills, and LaForge (1985) it is stated that the MSME sector has three significant roles in contributing to Gross National Income (GNP), employment, and innovation. Marketing is an important part of running a business. There needs to be good management so that the business can grow and develop better and be able to compete with its competitors. One of the important elements in marketing is marketing strategy and marketing mix. A marketing strategy is needed so that market segments, target market determination and market positioning can be correctly selected. Websites and social media have provided many opportunities for SMEs to develop their markets, especially in terms of promotions to attract their target markets. Another thing that makes SMEs market their products and services through websites and social media is because of the level of entry barriers. low level so that they can easily market their products and services on websites and social media (Oztamur and Karakadilar, 2014). Based on a study conducted by Davis, Hills, and LaForge (1985) shows that MSME actors have a tendency to use fewer strategic choices compared to large companies, MSME actors also tend to choose a different strategic focus compared to large companies even though both face the same market conditions.

Other research conducted by Knight (2000) shows that globalization has a significant impact and pressure on the MSME sector so that MSME actors must be able to apply the use of technology that is appropriate and appropriate for the business they run so that they are able to compete effectively or produce products. their new products that better satisfy their consumers' needs compared to similar products on the market.

RESEARCH PROBLEM FORMULATION

Based on this description, the problem formulation raised in this research is to explore and analyze the marketing strategies and marketing mix used by MSME players in the digital era, especially with the large number of social media users in Indonesia.

STATEMENT OF PURPOSE

The aim to be achieved with this research is to explore and analyze the marketing strategies and marketing mix used by MSME players in the digital era.

LEGAL BASIS FOR MICRO BUSINESS

Many people think that the micro businesses that we commonly encounter, such as street vendors, do not have laws governing their existence. In fact, micro businesses have a legal basis, namely Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises. In this law, everything has been regulated starting from the criteria, licensing aspects and the role of the central and regional governments in empowering micro businesses.

In fact, in article 13 paragraph 1 (a) in Law no. 20 of 2008 states that the government is obliged to determine the allocation of business premises which includes providing locations in markets, industrial centers, people's agricultural locations, reasonable locations for street vendors and other locations. Apart from that, there are also articles that state that the government needs to provide easy access to financing for micro businesses and waive licensing fees for micro businesses. This means that micro businesses are not stepchildren in the Indonesian economy. In fact, micro businesses are one of the backbones of the economy. Micro businesses have clearly proven capable of absorbing workers who cannot be accommodated in other sectors. The absorption is quite large, reaching 97%. Apart from that, the Coordinating Ministry for the Economy also noted the role of micro businesses in Gross Domestic Product (GDP), which reached 60.34%.

MICRO BUSINESS LICENSING

Micro businesses as business entities certainly have permits even though the form of business entity is an individual business. However, what differentiates it from other types of business (PT for example) is the different form and licensing mechanism. If medium to large business entities are required to have a Trading Business License (SIUP), which is a licensing requirement required by the Ministry of Trade of the Republic of Indonesia (Kemendag), then micro businesses have another form of licensing, namely a Micro Small Business License (IUMK). IUMK has a legal basis for Presidential Regulation Number 98 of 2014 and Minister of Home Affairs Regulation Number 83 of 2014 concerning Guidelines for Granting Micro and Small Business Licenses.

This IUMK was then strengthened by a Memorandum of Understanding between the Minister of Home Affairs, the Minister of Cooperatives and SMEs and the Minister of Trade Number 503/555/SJ Number 03/KB/M.KUKM/I/2015 and Memorandum of Understanding Number 72/M-DAG/MOU/I /2015 Concerning Guidance for Granting Micro and Small Business Licenses.

The existence of a memorandum of understanding is because licensing for micro and small businesses is very closely related to the Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop-UKM). There were also regulations that were then made to improve relations between institutions, such as the Cooperation Agreement between the Directorate General of Regional Development, the Directorate General of Domestic Trade, the Deputy for Business Development and Restructuring of the Ministry of Cooperatives-UKM, the Main Director of PT Bank Rakyat Indonesia (Persero) Tbk and Asippindo.

The following is a list of several laws and regulations regarding SMEs:

- a) UU no. 9 of 1995 concerning Small Businesses
- b) PP No. 44 of 1997 concerning Partnerships
- c) PP No. 32 of 1998 concerning Small Business Development and Development
- d) Presidential Instruction No. 10 of 1999 concerning Empowerment of Medium Enterprises

- e) Presidential Decree no. 127 of 2001 concerning Fields/Types of Business Reserved for Small Businesses and Fields/Types of Business Open to Medium or Large Businesses with Partnership Requirements
- f) Presidential Decree no. 56 of 2002 concerning Credit Restructuring for Small and Medium Enterprises
- g) Permenneg BUMN Per-05/MBU/2007 concerning the Partnership Program for State-Owned Enterprises with Small Businesses and the Environmental Development Program
- h) Permenneg BUMN Per-05/MBU/2007 concerning State-Owned Enterprise Partnership Program
- i) Law no. 20 of 2008 concerning Micro, Small and Medium Enterprises

Definition of Micro, Small and Medium Enterprises

In this research, the author uses the definition of Micro, Small and Medium Enterprises referring to Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises as follows:

a) Micro business

Micro businesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for micro businesses. The criteria for the micro business group are as follows:

- i. Have a net worth of a maximum of IDR 50,000,000.00 (fifty million rupiah) excluding land and buildings for business premises; or
- ii. Have annual sales of a maximum of IDR 300,000,000.00 (three hundred million rupiah). Apart from the laws mentioned above, MSMEs are still regulated by various regional regulations relating to the production process, place of business, and so on. Regional regulations may differ from one province to another.

b) Small business

Small businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part, either directly or indirectly, of medium or large businesses that meet the business criteria. Small. The criteria for the Small Business group are as follows:

- have a net worth of more than IDR 50,000,000.00 (fifty million rupiah) up to a maximum of IDR 500,000,000.00 (five hundred million rupiah) excluding land and buildings for business premises; or
- Has annual sales results of more than IDR 300,000,000.00 (three hundred million rupiah) up to a maximum of IDR 2,500,000,000.00 (two billion five hundred million rupiah).

c) Medium Business

Medium Enterprises are productive economic enterprises that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or are part either directly or indirectly with Small Businesses or Large Businesses with total net assets or annual sales results. The criteria for the Medium Business group are as follows:

- a. Having a net worth of more than IDR 500,000,000.00 (five hundred million rupiah) up to a maximum of IDR 10,000,000,000.00 (ten billion rupiah) excluding land and buildings of business premises; or
- b. Has annual sales results of more than IDR 2,500,000,000.00 (two billion five hundred million rupiah) up to a maximum of IDR 50,000,000,000.00 (fifty billion rupiah).

Characteristics of Micro, Small and Medium Enterprises (MSMEs)

According to the results of a study conducted by the Indonesian Banking Development Institute with Bank Indonesia in 2015, there are several unique characteristics of this MSME business, here are some of these typical characteristics:

- a. The quality of products or services is not yet standardized, this is because some MSMEs have inadequate technological capabilities and most of the products or services produced are still handmade.
- b. Limited product design, this is due to limited knowledge and experience of MSMEs regarding their products or services. The majority of MSMEs work according to customer requests so they do not dare to try to be creative with new designs.
- c. The type of product or service produced by ma
- d. It's limited, generally MSMEs only produce a few types of products or services. If there is a request for a new model, they tend to have difficulty fulfilling the request, even if it is accepted, it will take longer to fulfill the request.
- e. Limited capacity and product price lists mean MSMEs tend to experience difficulties in determining production

capacity and prices for their products or services.

- f. Raw materials are less standardized, this is influenced by the source of raw materials which come from various different sources, so this will of course also affect the results of the products produced.
- g. The sustainability of the product is not guaranteed and is less than perfect, this is because generally MSME production is still not regular so it will affect the product produced and it will still appear as is.

MARKETING STRATEGY

The marketing strategy will involve two important things, the first is what kind of consumers the company will serve, in this case the company must determine the market segmentation and target market that will be served, then the second is how the company creates value for the target market, in this Companies must be able to determine their differentiation and positioning for consumers (Kotler and Armstrong, 2014). Strategy formulation is a process at the organizational level by combining various types of business process activities to formulate the company's mission and strategic goals. These business process activities also include analysis, planning and decision making processes, and management, all of which will be heavily influenced by the culture and value systems within the organization. (Miller and Friesen, 1984; Porter, 1980).

In determining a marketing strategy, we must be able to determine which consumers we can serve and fulfill their needs well and how the company will convey their values to these consumers. This process can be described in relation to determining market segmentation, determining target markets, determining market position, and company differentiation (Kotler and Armstrong, 2014).

MARKET SEGMENTATION

Market segmentation is grouping the market into different consumer categories by paying attention to needs, characteristics, or behavior that may require separate products or marketing programs. This grouping can be done by looking at geographic, demographic, psychographic and behavioral factors.

DETERMINING THE TARGET MARKET (TARGETING)

Determining the target market is the activity or activities of evaluating and measuring the attractiveness of each market segment that has been carried out by the company and then selecting one or several segments to enter that market segment. In determining the target market, you must first pay attention to three factors (Umar, 2001):

- 1. Size and growth rate of market segment
- 2. Level of attractiveness in the market segment
- 3. Goals and resources 4.

Determining Market Positioning (Positioning)

Determining market positioning is a management activity carried out by a company regarding how a product can be communicated clearly, distinctively and more desirable compared to competing products in the minds of the target market so that the company can also build trust and confidence for customers.

Differentiation

Differentiation is basically value and competitive advantage differentiate our products or services compared to competitors with the aim of creating superior customer value.

Marketing Mix

The marketing mix concept has been developed by many researchers. One of those who first introduced this concept was Neil H. Borden in 1964 who put forward that there were 12 marketing elements that could be managed by companies so that company operations became profitable, then this concept was developed by Jerome McCarthy in 1964 to become 4 elements, namely product, price, promotion, and place (Constantinides, 2006). An explanation of these 4 elements is as follows (Kotler and Armstrong, 2014):

- a. A product is a combination of products and services offered by a company to the target market. Things related to products include product or service variations, quality, design, features, brand name of the product or service, packaging and services.
- b. Price is the amount of money paid by consumers to obtain a product or service. Some things related to price are discounts, payment times, credit terms, and price list.

- c. Promotion is a company activity that communicates the advantages and benefits of a product or service with the aim of inviting the target market to buy the product or service. Several things related to promotions are advertising, sales promotions, public relations, and personal selling.
- d. Place is all the activities carried out by a company that makes its products or services available in the market according to the company's target market. Several things related to place are distribution networks, marketing reach, location, inventory, logistics and transportation.

INTERNET AGE

The internet era, also known as the world wide web (WWW) or what is often also called the web, has been introduced for a long time and is developing very rapidly. The evolution of the web itself has now entered web 4.0. A study on web development has also been carried out by Aghaei et al (2012), the majority of web 1.0 is a read-only and static web, the features contained in web 1.0 are similar to newspapers, people can only read information and there are contacts who can be contacted if they need more information. Web 2.0 was introduced around 2004, in web 2.0, the feature is not only read-only but also provides read-write web, with this feature, users can contribute, collaborate and create interactions to become content providers on the web. Examples of web 2.0 are blogs, really simple syndication (RSS), wikis, and mashups. Web 3.0 began to be developed in 2006, web 3.0 This is also known as the semantic web, is a web that can perform with an approach that can be learned by humans and machines. And finally, web 4.0, which is also called symbiotic web, as the name suggests, symbiotic web is a symbiotic relationship between humans and machines, therefore, machines can read content from the web and provide responses and can take action and decide what should take priority. first based on quality and performance.

SOCIAL MEDIA DEVELOPMENT

One of the uses of technology that is currently widely used is social media. According to Turban et al (2016) social media can be defined as online text, images, sound and video content created by humans using web 2.0 platforms and tools to interact and communicate, generally used to share opinions and experiences. , views, and perceptions. Meanwhile, Kaplan and Haenlein (2010) define social media as a group of internet-based applications created based on the ideology and technology of Web 2.0 which makes it possible to create and exchange content between users. Based on data recorded from wearesocial.com, in Indonesia in January 2018, there were 132.7 million people accessing the internet with 130 million active social media users. The types of social media most accessed are YouTube (43%), Facebook (41%), WhatsApp (40%), Instagram (38%), and online (33%).

PREVIOUS RESEARCH

Several studies have been conducted related to marketing strategies for MSME players, such as those conducted by Fiorito and Laforge (1986) in the small retailers sector operating in the apparel sector, showing that each retailer must have a strong and significant market position and differentiation compared to other retailers. The strategies that can be used by retailers are divided into two types, namely:

- i. Inter-Type Competition, if a company uses this type of strategy, the company must be able to show their specialization or characteristics and business focus and provide better added value compared to other retailers who also offer the same product, so that they are able to compete with discount stores and department stores by becoming specialty stores and
- ii. Intra-Type Competition, if the company uses this type then the retailer must be able to show its differentiation compared to similar retailers. The study shows that retailers who use this strategy are based on the area and location of the store, while other retailers have a large area. Smaller stores use a personal selling approach to their customers.

Similar research was also conducted by Wibowo et al (2015) regarding the implementation of marketing strategies in the MSME sector by taking a case study on Batik Diajeng Solo showing that with a good marketing strategy appropriate, namely by choosing market segmentation focused on organizational, institutional and community consumers and positioning the market as a quality product that can match consumer orders (custom) and using an appropriate combination of marketing mix, such as correct and appropriate cost calculations, distribution channels, both direct and indirect, including online distribution channels, the performance of Batik Diajeng Solo products increased by 9.1% in 2013 and 59% in 2014.

Another study conducted by Knight (2000) shows that marketing strategy has an important role for companies to help implement tactics to become a successful company. The results of the research also show that there is a strong relationship between marketing strategy and the application of technology and acceptance of global conditions. Another study conducted by Pelham and Wilson (1995) stated that marketing strategy can be a frame of reference for setting goals, making decisions and actions for micro, small and medium scale companies.

Regarding the use of technology for MSME actors, a study conducted by Dahnil et al (2014) states that although many MSME actors face challenges in implementing technology, social media has helped them a lot in terms of improving the company's business performance, especially in relation to adding channels. marketing and building good relationships with consumers. Another study conducted by Ahmad et al (2017) related to the use of technology, in this case social media, many MSME players can increase their sales potential by using social media through creating good marketing content on social media, because with good marketing content Well, it can increase brand awareness and experience and consumers can also interact and become educated on the brands of these MSMEs.

RESEARCH METHODS

This study was conducted using qualitative methods. The qualitative method used was using structured techniques, by conducting interviews with top level management or owners in MSME scale companies. The things asked to respondents were things related to marketing strategies and the implementation of these marketing strategies. The data analysis used in this study is descriptive research, according to Sekaran and Bougie (2016) the aim of a descriptive study is to describe the characteristics of a particular object, phenomenon or event.

According to Sekaran and Bougie (2016), data can be divided into two types, the first is primary data, the second is secondary data. Primary data is data obtained directly from the first hand by researchers for certain purposes, while secondary data is data obtained by other people or institutions that is used for certain purposes. In this study, researchers used primary data along with secondary data. The primary data used is by conducting structured interviews with top management or MSME owners and for secondary data, researchers use relevant data according to the study objectives such as online media, government institutions, textbooks and journals.

RESULTS AND DISCUSSION

The marketing strategy carried out by MSME activists is unique according to the results of market segmentation analysis, target market determination, market position and differentiation implemented in the company. These MSME activists agree that current competitive conditions are getting tighter, so they must use the right marketing strategy for the business they are running. For the culinary, fashion, and tour and travel industries, in general they provide added value and differentiation in the products and services provided to their customers compared to their competitors, while in terms of price, they also pay attention to the prices offered by competitors, so that prices what they offer remains competitive and competitive. In contrast to the trading industry, they use more competitive and competitive pricing strategies compared to their competitors to be able to capture market share in their area, apart from that, they also have a target market that tends to focus on niche markets so that their products can be accepted by the market. So when described in business strategies that refer to Porter's generic strategies, the culinary, fashion and tour and travel industries tend to use a differentiation focus strategy, while the trading industry uses a low cost strategy focus in competing to win market share.

In terms of the marketing mix, even though the products sold are relatively the same as those sold by their competitors, because they prioritize added value and differentiation, they can provide the right products, reasonable and competitive prices, choose appropriate distribution channels, and choose promotional media. effective for their customers so that customer satisfaction and loyalty can be achieved.

The use of technology, in this case, websites and social media, has been widely used, especially in the culinary, fashion and tour and travel industries. This is different from the trading industry, where they prioritize good relationships with their customers, the majority of whom are their distribution network such as distributors or agents. For MSME activists, the role of websites and social media is as a means for them to build relationships with customers, find out customer opinions and suggestions about our products, as promotional media that are considered effective, and to be able to develop products in accordance with market desires.

This supports previous research conducted by Mohd Irwan Dahnil et al (2014) who conducted research on small and medium enterprises. In Malaysia, based on this study, small and medium business actors use social media as part of marketing activities such as marketing communication strategies and assess that social media is one of the promising

networks for building business communications with customers. Other research conducted by Nory Jones et al (2015) with research objects on MSMEs found that the role of social media for MSMEs is as follows:

- 1. increase consumer recognition and curiosity
- 2. improving good relations with consumers
- 3. can increase the number of new consumers
- 4. increasing the ability to reach consumers on a global scale
- 5. adding promotional channels for local businesses to improve the image of MSMEs.

Damian Ryan (2014) also mentions several benefits of establishing close relationships with customers, namely:

- 1. Get updated information from customers,
- 2. increase the reputation of the company's social media profiles,
- 3. add sources of information other than offline media that can be used as market studies,
- 4. Can influence influencers to also influence people/followers so that our product gets a good and positive image.

CLOSING

Conclusion

Based on the studies conducted, in terms of implementing marketing strategies, they are generally divided into two clusters, for the culinary, fashion, and tour and travel industries, namely using strategies with an emphasis on providing added value and differentiation in products and services that are divided for their customers compared to with its competitors, in terms of price, they also provide competitive and competitive prices compared to competitors. For the trading industry, the strategy they use is to provide competitive and competitive prices compared to their competitors to capture market share, apart from that they also have a target market that tends to be niche markets. In terms of the application of technology, the culinary, fashion, and tour and travel industries use websites and social media more as a means for effective promotion, communicating with customers, finding out opinions and getting suggestions from customers regarding our products, and being able to develop products according to market desires. Meanwhile, in the trading industry, more people build good relationships with their distribution network.

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