

# Narotama

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## **THE STUDY OF SMALL AND MEDIUM ENTERPRISE MARKETING MIX AS AN EFFORT TO INCREASE A COMPETITIVE ADVANTAGE**

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### **Abstract**

SME have basically implemented the marketing management by itself. This study aims to examine the application of marketing management to SME as well as their collation of core competencies as competitive advantage. The subject of this study is SME which produced durable products (not food), with 69 SME total samples. The data collection is done by spreading the questionnaire. The study result shows that there are many SMEs which are practicing the marketing mix even though they are not aware of it. The implementation of a marketing mix is in term of products, place and price which are already in the high category or in well implemented. But unfortunately for the promotion mix has a low score, it has a meaning that SMEs have not optimized the marketing well. The marketing mix aspect with a core competence has a high correlation, it means that marketing mix gives the influence to establish the competence of SMEs so that it can become a competitive advantage for SME.

**Keywords:** *Marketing mix, Competitive advantage, SME*

## PREFACE

It cannot be avoided that the business competition is increasingly intense day after day. To beat the competition, the company is always required to meet the needs and desires of consumers. Nowadays, the consumers no longer just satisfy the needs of the life, but also required to satisfy his desires because of the changes of the lifestyle. This make the producer has to meet the consumers' needs included the small and medium enterprise. SMEs is required to do harder than big companies in seizing the consumers, because the big companies usually have been able to create the brand image.

The business competition can be won with a good management of the resources owned. This management is done on a functional company consisting of marketing, production, human resources and finance. The function which directly related with the consumers is marketing. The marketing is an effort to fulfill the customer satisfaction with the purpose of attracting new consumers, this is done by promising a superior value to the customers and trying to keep the customers current by providing a good quality to consumers. A good quality will provide the consumer satisfaction with the impact of loyalty.

Some researches indicate that the management need to be well managed to improve the competitiveness. In their research, Vorzsák & Coros, 2007, found that the manager delegates the operational decisions to several specialists while he solve some managerial problems, such as how to increase the productivity, reduce the cost of losses, choose suppliers and consumers. The manager focus is also directed to the customers needs to maintain the loyalty along with improving the business and the quality standards.

The literature suggests that the high-performance strategies are identified as the activities related to the product quality emphasis, sevice innovation, new technology development, emphasis on customer service and support, broad advertising, external financial use and the rock market finding. (Pushpakumari, *et.all*, 2013)

This study shows that there are relationship between the product features and the consumer expectations, the product customization with the sales growth, and the addition of product value with the revenue growth. This indicates that the good product quality affects to the return on the investment. This study recommends that in order to be more competitive, managers should pay attention to the needs of consumers and the uniqueness offered by the products and the services that satisfy the needs. (Uchegbulam, et.all, 2015)

Lila Bismala, and Friends (2014) in their research identify that the weakness of SME in terms of marketing include (1) limited marketing territory (2) less familiar with information

technology for marketing (3) lack of innovation or innovation memorable (4) packaging that tends to be simple (5) not paying attention to product life cycle (6) do not create their own brand (7) consignment system is quite detrimental when the product does not sell (8) capital turnover is hampered by consignment system. SMEs generally realize that their product is not the only one in Medan city. This causes the consumers will certainly look for the other products, when the manufacturer is not able to provide the desired product.

This studies explain the importance of marketing activities for SME development. Some SMEs have begun to recognize and implement the marketing mix, such as product, place price and promotion, although many of SME are still unaware that they have implemented it. Then this research intends to conduct the study on marketing management conducted by SMEs.

## Theoretical Review

### Marketing Management

Marketing is a process that makes the consumers get what they need and they want by creating, offering, and exchanging the valuable products and services. The role of marketing not only deliver the products or the services to the consumers but also provide the satisfaction to the customers of products and services. The <sup>5</sup> goal of marketing is to attract the new costumers by promising superior value, setting attractive prices, distributing products with ease, promoting effectively and retaining existing the costumers by sticking to the principle of the costumers' satisfaction.

The marketing activities involve the following activities:

- a. Find out what products or services that the customers want
- b. Produce the products or services that have the characteristics and the qualities in accordance with the desired customers.
- c. Determine the price of the product or service appropriately.
- d. Promote the products or services offered (verbally explaining why the customers need to buy such products or services) and
- e. Sell and deliver the products or services to the customers.

Marketing has become an important activity for SME. As <sup>4</sup> it is said by Uchegbulam, et.all (2015), that with the aim to be more competitive, managers should pay more attention to the needs of consumers and the uniqueness offered by the products and services that satisfy

the needs. This is the part of the marketing management to pay attention to the needs and desires of consumers.

### **Marketing Mix**

The marketing management is grouped into four aspects which often known as a marketing mix. Kotler and Armstrong (2004) that marketing mix is a set of tactically-controlled marketing tools that the company combines to generate the desired response in the target market. Marketing mix is a tactical marketing tool that can be controlled and integrated by the company to produce the desired response by the target market.

The mix marketing is divided into four variable groups which is known as 4P, they are:

1. *Product*, product is a combination of goods and services offered to consumers, product characteristics include the product performance, quality, design, features, brand names, packaging and services.
2. *Price*, the price is the amount of money that the customers must pay in order to get the product, the price paid by the consumers is of course tailored to the usefulness and the quality of products/services that are exchanged.
3. *Place*, place is an enterprise activity that causes the product to be available to targeted customers. The product placement will depend on the distribution channel used to ensure the product reaches the consumer's hands well.
4. *Promotion*, promotion is an activity that conveys the product by communicating the benefits of its products, persuading, and reminding the target consumers to buy the product and make repeat purchases.

### **Competitive Advantages**

Competitive advantages are the ability to overcome the existing challenges and take the advantages of business opportunities that arise, including opportunities in developing themselves to become larger. Nowadays, the tendency of SME in enhancing their competitive advantages is to jointly seek the new source of knowledge, technology, and skills that can lead to the formation of a new structure to their business. One of the strategies to increase a competitive advantage is to form an alliance between SME, competitors or BUMN that share the same characteristics and objectives, and/or have the other similarities. To win the global competition, SME can collaborate with their competitors in strengthening the market position. SME that collaborate with their competitors or called as competitive collaboration,

will gain the skills and the technology improvements and transfer the competitive advantages obtained from their competitors. (Anang Hidayat, 2013)

In its principle, the competitive advantage grows from the values or benefits which created by the company to its buyers. The customers prefer to buy the products that have more value than they accepted. (Gita Sugiyarti, -)

In order to have a high competitiveness, SMEs need to have the ability to create the added value by using the competitive advantage, this competitive advantage is the ability to compete in the cost, quality, delivery and the flexibility. (Porter, 2005)

A study which analyze 1,789 *strategic business units* (SBU) found that the business which combine the cost-differentiation and cost leadership as a competitive advantage perform better than just using only one strategy.

Jacobson (1988) and Porter (1990) as quoted by Siregar (2014) define that the sustainable of the competitive advantages as a sustainable competitive advantage for a long time. This competitive advantage must have the following characteristics: (1) sustainable; a company must lead a competitor sustainably or survive for a long time, and it will end when its competitors manage to emulate the same competitive advantage. (2) Uniqueness; a company needs to have competencies that only a small number of companies have. (3) Firmness; a company needs to lead a competitor company with a significant gap.

A competitive advantage is influenced by many factors and variables, including the role of government, resources, entrepreneurship, cost leadership strategies and differentiation strategies. One indicator of competitive advantage is value excellence. This value advantage combines the advantages of operation in efficiency, the differentiation superiority to achieve a high effectiveness resulting in a unique product and a proximity with the customers to respond quickly to the customers need and want, and their expectation associated with the product offer. (Siregar, 2014)

The primary component to achieve a competitive advantage is the core competence of firms that rely on assets or skills. This competence comes from the capabilities and resources or capabilities that are the core of the company. If it is connected with the ability, all core competencies are capabilities although not all of the capabilities are core competencies. Only the skills that have a certain criteria can be categorized as core competencies. These criteria are:

- a. Value Capabilities, it is capabilities that allow the companies to take the advantage of the opportunities and minimize the external threats.

- b. Rare Capabilities, it is the ability possessed by a very few competitors
- c. Imperfectly Imitable Capabilities, it is the capabilities that are not easily developed by other companies.
- d. Non- substitutable Capabilities, it is the abilities that cannot be substituted.

### Research Methodology

This study is a development research and will be done in a long time that is for two years. This research approach is a descriptive approach which is intended to describe the marketing mix undertaken by SME.

The data collection is done by collecting questionnaires with SMEs as respondents. A total of 100 questionnaires were distributed but only 69 questionnaires were returned for further analysis. The data were analyzed with the descriptive statistic and with the correlation analysis which aims to know the closeness of the relationship between research variables.

### Result of Research and Discussion

Many of SME actors have low levels of education. This fact causes SMEs were in not optimal in marketing management. In their practice, SMEs have done a lot of marketing management without realizing it.

Marketing mix condition of SMEs are shown in the following table:

Table 1. The Mix marketing Application

Statement	Yes		No		Value Score	Category
	Total	Frec	Total	Frec		
<b>Product</b>						
I do the Product Development	69	100	0	0	2	High
My Product is the only one in Medan	1	1,4	68	98,6	1,01	Low
I analyze the strengths and the weaknesses of the product	69	100	0	0	2	High
I consider the consumer's desire in making the product	69	100	0	0	2	High
I trust my own taste in making the product	46	66,7	23	33,3	1,67	High
I listen to the consumer's complaints	68	98,6	1	1,4	1,99	High

I listen to the consumer's opinion related to the product development	69	100	0	0	2	High
There are several variables product	69	100	0	0	2	High
I establish the cooperation with certain agencies in product marketing	24	34,8	45	65,2	1,35	Low
I compare my product with the competitor product deficiencies	37	53,6	37	46,4	1,61	High
I compare my product with the competitor product deficiencies	36	52,2	33	47,8	1,52	High
Consider the low economic levels as a threat to the business continuity	60	87	9	13	1,87	High
Consider the number of population as a business opportunity	67	97,1	2	2,9	1,97	High
My product has no replacement	40	58	29	42	1,58	High
My costumers are loyal to my product	41	59,4	28	40,6	1,59	High
<b>Place</b>						
Marketing only in the area around the business location	14	20,3	55	59,7	1,2	Low
The products easily found in the city	67	97,1	2	2,9	1,97	High
the products can be found in the city	63	91,3	6	8,7	1,91	High
Marketing products to the other city	66	95,7	3	4,5	1,96	High
The product distribution to the store runs smoothly	49	71	20	29	1,71	High
<b>Promotion</b>						
The companies promote their products with advertising	3	4,3	66	95,7	1,04	Low
The companies promote their products with brochures	3	4,3	66	95,7	1,04	Low
The owners try to find out the promotional opportunities (eg via expo)	9	13	60	87	1,13	Low
<b>Price</b>						
Affordable product prices	68	98,6	1	1,4	1,99	High
The price considering the quality of raw	69	100	0	0	2	High

materials					
The companies give a special discount on certain occasion	61	88,4	8	11,6	High 1,88
The companies give a special discount on customers	61	88,4	8	11,6	High 1,88

SME actors generally realize that their product is not the only one in Medan city. This causes the customers will certainly look for the other products if they do not find their usual products consumption. They are aware of the many competitors of similar products, so they are trying to improve their products performance in many ways:

- 1) Comparing with competitors product surplus (53.6%) and not comparing with the competitor products (46.4%). These comparative attempts are made to strive the quality exceed and range of advantages that the competitors offer. For example, for the school uniform convection, they do a comparison of the raw materials, tidiness and stitching prices.
- 2) Comparing with the competitor product deficiencies (52.2%) and not comparing with the competitor product deficiencies (47.8%).
- 3) Giving special discount on certain occasion (88.4%) and not giving special discount on certain occasion (11.6%). In some SMEs, such as shoes and school uniform convection, there is a trend that effects the demand, such as at the beginning of the new school year in which consumers will race to make a lot of purchases. This is where SME can give a certain discount, in this case is the distributor (store) who market their products.
- 4) Giving special discount on costumers (88.4%) and not giving special discount on costumers (11.6%).

Cooperative agencies & SME, several state-owned enterprises and banks have several programs that siding with SME entrepreneurs, such as marketing, training, technical guidance and funding assistance. Unfortunately there are many SMEs do not know how the mechanism to follow the program. This is shown from the statement: "I cooperate with certain agencies in product marketing" where as many as 34.8% answered "yes", while the answer of "not" is much more that is 65.2%. The marketing product which is asked in this statement is to follow the expo activities organized by the government agencies and the private. This is supported by the statement: "the owner is trying to find out a promotional opportunity (eg via expo)"

which answers “yes” by 13% and 87% is “no”. in this case the agency cannot be blamed entirely, because SME should be more proactive in seeking information.

SME actors feel that they have been producing and marketing their products for many years, so they are convinced that consumers are familiar with their products and keep their loyalty, so they do not need to do any promotion anymore. This is indicated by the number of respondents who answered “yes” to the question “the company promotes its products with brochures” which only by 4.3% and the rest did not do the promotion through brochure that is as much as 95.7%. Not many SME perpetrators who promote their products through advertising 4.3%, the rest do not market the product through advertising as much as 95.7%.

There are many SME actors who market their products out of Medan city (59.7%) while those who market their products in the area around the business location is 20.3%. the areas which become the target of the market are the small part of Aceh, several other cities in northern Sumatera and a small part of western Sumatera. SME actors then state that the product distribution to the store went smoothly (71%) and 29% of SME actors state that the product distribution to the store did not go smoothly. This is because of some store which have constraints such as unsold products that hamper the capital playback.

In this research also want to reveal the correlation between the independent variable that is the marketing management with the dependent variable that is the core competence. As for variables of this independent variable consist of product, place, promotion and price. The result of the correlation of these variables are as follows:

Table 1. Correlation Analysis

Factor	Correlation Value	Sig (2 tailed)	Noted
Product	0,533 (Positive)	0,000 < 0,05	Significant
Place	0,343 (Positive)	0,004 < 0,05	Significant
Promotion	0,260 (Positive)	0,031 < 0,05	Significant
Price	0,690 (Positive)	0,000 < 0,05	Significant

The table above shows that the all elements of the marketing mix have a positive and significant correlation to a core competence. This implies that if SME want to have a competitive advantage, they need to optimize the better implementation of the marketing mix. Many various things have been done by SME, such as trying to balance and exceed the competitor’s products by continuing the quality improvement.

To gain a competitive advantage, SME can improve the product quality and innovation and also provide the competitive price by cutting waste. This waste can occur from ineffective production processes and which result in many defective products.

As recognized by SME, they do not promote any promotion of their products although many parties are trying to help the promotional activities such as government, state-owned enterprises (BUMN) and banking. These promotional efforts need to get more serious attention, especially in the use of the advantage technology in marketing efforts into the wider region.

### **Summary**

1. Product, place and price have a high score, its means that the all three have been implemented well enough by SME
2. Promotion has a low score because SME are already quite satisfied with the achievements of sales so far and they did not try to do further promotion.
3. The marketing mix has a positive and significant correlation with core competencies, which means that if the marketing mix is improved it will provide a competitive advantage for SME.

### **Suggestion**

1. More attention should be given to the marketing mix, especially in utilizing the facilities provided by the government, state-owned enterprises (BUMN) and banks by proactively seeking information.
2. For research future can be studied about segmentation, targeting and positioning for SME.

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