

UDC 334

**EXPLORATION ANALYSIS OF ENTREPRENEURIAL MARKETING IN IMPROVING  
THE COMPETITIVENESS OF NON-HIGH TECH SMALL AND MEDIUM ENTERPRISES:  
THE CASE OF BATU CITY, INDONESIA**

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**ABSTRACT**

Small businesses in Batu mostly use non-high tech in its production. Small business requires an appropriate formulation to get higher competitiveness despite using non-high tech. One of the examples is through marketing strategy. This research aims to know the Innovation marketing of SMEs in Batu City that still uses non-high tech in marketing their product to get more competitiveness. This research uses a quantitative method using descriptive presentation. The research is conducted using an in-depth interview on two SMEs as the representative through Purposive Sampling namely UD Suka Jaya and GFM. From the research result, it is found that SME started the business due to the existing chance by adopting the simple manufacturer's custom-made machinery, following the development trend of the society, giving discount based on the quantity of the purchased goods, establishing a relationship with the partner to develop the business, prioritizing the high-quality products.

**KEY WORDS**

Marketing, SME, non high tech, Batu City.

The growing non-high tech-based Small Businesses in Batu City is unavoidable. This is based on the limitation of the knowledge and capital because it needs a large capital to purchase the required technology. SME in Batu amounts to 14,649 with employment of 40,182 people and they have contributed to the Gross Domestic Product (GDP) of 59.8 percent (Disperindagkop Batu, 2016). Suggesting that there is an economic growth emerged from the small business sector in Batu. The SME variants in Batu are engaged in trading, agriculture, handicrafts, processed food and beverage industries. The common problem on the development of small business in Batu is the utilization of non-high/traditional technology either in the production process, packaging or marketing system (distribution channel). Based on the early observation, almost all of the existing small businesses use non-high tech.

SMEs (Small and Medium Enterprise) in Batu mostly still use non-high tech in its production process. This requires a right strategy formulation so that SME still has high competitiveness although using simple technology. Marketing innovation is able to provide highly competitive value, regardless of the production process that still uses simple technology. The research conducted by O'Dwyer (2009) provides evidence that the marketing innovation by emphasizing on environmental orientation, customers, competitors and decision-making can be high competitiveness. This is supported by the research conducted by Laforet (2009) where non-high tech SME should pay attention to the marketing and managerial characteristics sides in order to be high competitiveness.

One of the marketing innovations that can be done by SMEs is through Marketing Entrepreneurship or often known as Entrepreneurial Marketing. Hamali (2013) argues that the Marketing Entrepreneurship is initially done by newly starting businesses and small businesses, but as time goes by the shift to the marketing activities conducted by Entrepreneur. This is because not all small businesses are entrepreneurs. Based on the logical framework that this research becomes very important to explore Entrepreneurial Marketing to the entrepreneurs to improve the competitiveness of SME technologically traditional (non-high tech) in Batu City. Because the researcher sees the potential of SMEs in

Batu as a benchmark of the SMEs success in East Java. Therefore it is necessary to identify the marketing applied by the perpetrators to be adopted by other businessmen outside Batu area. Thus the independence in the field of marketing will be realized.

## LITERATURE REVIEW

SMEs in Indonesia have characteristics a) almost half of the small firms using the only capacity of 60% installed or less; b) more than half of small firms are established as development of small-scale SME; c) capital, marketing, managerial and raw material availability issues become the main issues, d) Dependence on government is very high, e) almost 60% using traditional technology, f) almost 70% conducting direct marketing to consumers and, g) finding it difficult with banking assistance procedures (Karjantoro 2002)

The function of SME marketing is often just the fulfillment of demand, the weakness of the promotion that impacts on the decline in sales. This is based on the perception that SME often runs without clear planning and strategy (Stokes, 2000).

The core of SME marketing according to Grant et al. (2001) is how to optimize the experiential knowledge in their business process. The depth of experiential knowledge becomes an alternative strategy that is continuously capable of providing long-term benefits. The combination of characteristics of SME owned will be able to improve competitiveness through marketing initiative that is able to provide great value for SME.

Kraus, et.al (2010) defines Entrepreneurial Marketing as an organizational function and set of processes for creating, communicating and delivering value to customers and for managing customer relationship in ways that benefit organization and stakeholder, and it has the characteristics of innovativeness, risk-taking, proactiveness, and may be done without controlled resource. Morris, et al. (2002) states that there are seven dimensions: *opportunity-driven, proactiveness, innovation-focused, customer intensity, risk management, resource leveraging and value creation.*

## DISCUSSION OF RESULTS

*Opportunity-driven* is the focus of opportunity, Christensen, 1997 in Kurgun, 2011 shows that company with entrepreneurial marketing perspective has better awareness in filtering and evaluating opportunities in line with current strategy and their position in the market. Owners of GFM and UD. Suka Jaya start their business with the capital what they have met in their previous jobs. GFM which is potato farmer that distributes his/her potatoes to different regions turns to potato chips business because it sees more potential chips, it is also based on the good knowledge of potatoes. So it is also with UD. Suka Jaya that previously as a worker in timber company and then tried to open a business in the same field with previous work. Both acknowledge that plunging into their business today is an opportunity that they see when before pioneering this business and close to the previous business environment so no need to bother thinking about many things that can support a business that pioneered such as raw materials, markets, or capability of managing raw material.

*Proactiveness* is leading and pioneering the market in terms of creating new products and adopting new technologies and offering to bring dynamism to business marketing approach, Davis et. al., 1991 in Kurgun, 2011. Between GFM and UD. Suka Jaya is both adopting the technology of manufacturers that have been in mass production, no self-developed technology that has a major impact on the production process. The exploitation of existing technology on the market is used because the time and cost spent on developing the technology itself are inadequate and human resources are not qualified to create the latest technology that can help the production process becomes easier and faster. Even for GFM itself prefers the production manually because more keeping the quality and taste of the resulting potato chips and for UD. Suka Jaya adopts the machine slightly above from the

manual tools in the wood processing this is because the demand for products can still be handled by the machines that exist today.

*Innovation-focused* is about the dimension of innovation in entrepreneurship marketing, Davis et. al., 1991 in Kurgun, 2011 shows that entrepreneurship plays an important role not only in products and services but also in searching for creative and unique solutions including developing new technologies that will serve executive methods and organizational function. GFM provides new offerings in the market of chips by presenting healthy chips products without bleach and preservative so that the consumers do not have to worry about the dangers caused by eating snacks especially potato chips. While for UD. Suka Jaya the innovation that is done in accordance with the interest of the market, because UD. Suka Jaya itself produces a product according to the order, then the innovation is done in accordance with the consumers demand and market expansion by accepting the work that is still in contact with the wood processing and alternative materials such as aluminum.

*Customer intensity* is an understanding of the fulfillment of future consumer needs for the request of product that does not yet exist, Miller, 1983 in Kurgun, 2011. Consumer demand for a product is the task of the businessmen to fulfill it while still in contact with the business, the various products have been met by GFM to meet the consumer demand such as flavor variants and raw materials to GFM chips products. Development conducted by GFM gives positive results to the broader market and profits generated more and more, not only glance at product development by offering flavor variants and raw materials of processed chips but to lure consumers of GFM offer price quotes according to see how many products purchased this also apply to UD. Suka Jaya which gives different price benchmarks between unit buyers and many purchases.

Products produced by UD. Suka Jaya in accordance with consumer orders because the system through the first order must be fully responsible for the model and design desired by the consumers anyhow, in addition to the services provided by UD. Suka Jaya to the consumers in the form of service for six months after purchase, the service can be done by showing the receipt of purchase first.

*Risk management* is in entrepreneurship marketing, Miller, 1983 in Kurgun, 2011 shows that consuming risky business is taken into account and being a pioneer in finding proactive innovation is an important quality. The risk is taken by GFM and UD. Suka Jaya is a cooperation done with a lot of goods quantity, this is done to develop the business itself in order to more broadly reach the existing market, but the market expansion is not always easy, GFM and UD. Suka Jaya has ever been disappointed their partners because of financial problem that does not go smoothly in the payment process. In addition to being a provider of chips product, GFM embraces small businessmen of chips to join and supply their chips in GFM and use the GFM label to market it, which is a big risk because the opportunity for mistakes due to negligence of partners are likely it sees all its production other than potato chips conducted in place of its partners, so if there is a mistake made by the partner then the affected GFM.

*Resource leveraging* is within the context of resource utilization, Miles, and Darroch, 2006 in Kurgun, 2011 underlines the need to capitalize not only on external opportunities but also from people in the resources. Each business between GFM and UD. Suka Jaya has a worker who handles the production of its products, among these two SMEs do not have special workers who have professional status in their field, between GFM and UD. Suka Jaya employs people without seeing the capability of the people, each SME is willing to provide training on the production process so that the workers get enough ability from what they do during work in each of these jobs.

In addition to human resources, natural resources such as raw materials derived from the manufacture of products derived from cooperation with outsiders, for example, GFM in cooperation with potato farmers in East Java and UD. Suka Jaya cooperates with the big businessman in Surabaya who sells timber originating directly from Kalimantan mainland.

*Value creation* is Kotler, 2003 in Kurgun, 2011 proposes that there are two main ways of value creation. First, it is to increase the benefits of offering value to customers. Secondly, it is to reduce the cost of acquisition, use, and distribution of products and services offered

by the company to customers. GFM products have a special quality when compared with other chips products, GFM products provide an offer of chips product made from natural raw materials and without bleach and no preservative so that the naming of its products namely Gizi Food for the form of nutritious product explanation and no effect side if often consuming it. Another with UD. Suka Jaya which prioritizes its superiority from the raw materials that they choose to produce sills, door, and window shutters or other products made from real Kalimantan wood.

## CONCLUSION AND SUGGESTIONS

Based on the presentation and discussion that have been conducted on the Exploration Analysis of Entrepreneurial Marketing in order to Increase Competitiveness of SME Non-High tech (Survey on Businessman SME In Batu City), then the conclusion that can be taken by the researcher as follows:

1. GFA and UD. Suka Jaya both plunge into their business today are an opportunity that they see when before pioneering this business and close to the previous business environment so no need to bother thinking about many things that can support the business pioneered such as raw materials, markets, or capability of managing raw material.
2. Supporting production process to be more effective and faster then GFA and UD. Suka Jaya most of the machines used to choose to adopt the machine manufacturer sold in the market so no longer need to drain the time to create the tools that support the production process.
3. Between GFM and UD. Suka Jaya has different product innovation concept, where the GFA product innovation is in the form of finished products such as chips derived from processed fruit and ready to be offered to the market while for UD. Suka Jaya is required to know more about community interest and how to make it.
4. If GFA customer intensity is applied namely price discount for those who buy in large quantities then for the customer from UD. Suka Jaya just as the treatment provided in the form of price discount for orderers with a lot of quantity, but because of the product from UD. Suka Jaya is not a product once consumed then UD. Suka Jaya provides service for 6 months to the customers who have problems with their products.
5. Risks are taken by GFA namely the transition of the business from agricultural business and distribution of farm products to the businessman in the field of chips industry, while for UD. Suka Jaya itself the risks faced is the decision to enlarge its business by cooperating with large companies to handle large jobs and investment made by the owner of UD. Suka Jaya to develop his /her business.
6. No professionals are employed in GFA and UD. Suka Jaya, the owners of both companies who provide training to their employees to be able to run the company's activities. Maintaining the quality of products offered to the buyers and then the two companies are very selective in choosing raw materials.
7. GFA as a company with snack products in the form of fruit processed chips especially potato chips which is a superior product offers chips product without preservative, bleach and raw materials from quality fruits and potatoes. While for UD. Suka Jaya the raw materials offered are wood derived from Kalimantan that has been known the quality and durability, other than that the company is ready to produce demand from the consumers with the latest fashion and more popular in the market.

Based on the presentation and discussion that have been described, it can be given some suggestions that can be used for the parties concerned. The suggestion is intended to provide benefits to the parties concerned.

Government of Batu City not only glances businessmen who synergize with the tourism industry but also pays attention to other industries so that the businessmen outside the tourism industry can expand their business and this also affects the increase in income generated by Batu City itself.

Developing business to penetrate the national market one of them required is the promotion of products to provide awareness to the Indonesian population to the products owned by GFA and required engine innovation or technology applied so that the chips produced can be more without any damaged and able to meet demand.

GFA can target the online market that is currently loved by the world community by selling its products in an existing online marketplace or creating website whose content sells products from GFA itself and reviewing the superiority of its products.

UD. Suka Jaya can further expand the network to add partners who later can cooperate with UD. Suka Jaya. Able to expand the investment to the needs of marketing and companies production in order to invade the market more broadly.

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