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**SMEs MARKETING STRATEGIES DEVELOPMENT  
IN IMPROVING COMPETITIVE ADVANTAGES  
(STUDY ON CENTER OF MAKING BEADS IN JOMBANG)**

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**ABSTRACT**

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*Important things owned by SMEs are superior and unique products. Products with more value will have the competitiveness to compete in the market. Beads' craftsmen market share in Jombang declining due to the invasion of beads products from China, which is cheaper than local products. For that, the craftsmen should implement strategy that can produce products that have competitive advantage. The purpose of this research is to know the problems faced by beads' SMEs in Jombang associated with the competitive advantage of its products and its marketing strategy formulation in increasing competitive advantage. The data in this study were gathered using questionnaire and interviews, while sampling technique used is accidental sampling. The SWOT analysis is used to analyze obtained data. The population in this research is owner of the beads' SMEs in Gudo Jombang with total samples are 6 respondents. The results showed that the problems faced by SMEs in Jombang was limited distribution, access to raw materials and product innovation, as well as capital and skilled personnel. A strategy should be developed by SMEs is expanding its distribution network through distributor or retailer, to create more innovative products as well as add new products but still related.*

**Keywords:** SMEs, competitive advantage, strategy, SWOT analysis.

## INTRODUCTION:

The increasing business competition in this globalization era is something unavoidable among business players. The success of SMEs in the globalization era depends on planning and implementation of own strategies (Porter, 1980). Although SMEs play an important role in the national economy, SMEs still have low competitiveness. The study results from Center for Industry SME and Business Competition Studies of Trisakti University shows that the competitiveness of the micro, small and medium enterprises in Indonesia is the lowest compared to member countries of the Asia Pacific Economic Cooperation (Sarwani, 2012). Low competitiveness impact company's long-term existence. Competitive advantage is one factor to be considered by companies to achieve its objectives. (Porter, 2008) said that the competitive advantage is the most important thing in terms of a company's performance to compete and grow so they can defend themselves from the market's competitive pressures.

The competitive advantage for the company is a company's ability to provide added value to its products. The added value that will attract consumers who must be willing to buy your products that have the same benefits as competitors but at lower prices, or have unique characteristics compared with competitors, but at a higher price (Porter, 1985). SMEs that have a competitive advantage manufacture products that are competitive. Competitive products marked with a quality product, in accordance to the wishes of consumers and be able to compete with similar products and has its own uniqueness (Song & Parry, 1997)

(Sriyana, 2010), in his research on SMEs in Bantul, found that SMEs are still facing fundamental problems such as product quality, marketing and business sustainability. Marketing problems faced by SMEs in general is limited market access. They were only able to sell their products in the area where it is produced and have not been able to reach a larger extent.

The competitive advantage for the company is that the company is implementing a strategy that cannot be replicated by its competitors (Barney, 1991). According to (Knight, Summer 2000), the company's potential is shown by the company's business strategy in responding to the challenges and opportunities caused by the business environment. Company implements its strategy in order to attract customers and deal with a variety of environmental problems, such as competitors and suppliers.

Strategy is everything executed by the company to achieve its objectives. According to (Rostro & Grudzewski, 2008), understand the rules of marketing can help companies determine the strategies undertaken in gaining a competitive advantage. (Varadarajan & Cunningham, 1995) states that the purpose of such marketing strategy is to achieve a competitive advantage. Creating products that have more value for consumers, promotion and setting competitive prices are some forms of marketing strategies that can help SMEs dominate the market.

The business value of glass beads' craft industry got decreased in the last decade. Jombang beads began to lose market share in both local and global markets for various reasons due to high turnaround of younger generation from being beads' craftsmen and changed their profession into factory workers due to scarcity of raw materials. Many factories were switched from using non-glass packaging causing the raw materials used to make the beads hard to get.

The flood of China's beads production played a big role in the decline of market share of beads' craft. Unlike China's beads products that are manufactured through industrial processes, the Jombang beads were manually appreciated as craft. So despite having the same quality, the Chinese beads were less compared to Jombang beads that are relatively more expensive.

During these days, beads' craftsmen sell their products in conventional way. Marketing is done through distributors, who then distribute it to other regions such as Bali and Kalimantan. In addition, the product beads are sold in Jombang outlets and in surrounding areas.

Based on the background, the problem statement is designed that focus on the study area i.e., what are the problems faced by SMEs in Jombang beads related to the product's competitive advantage? And how SMEs' marketing strategy formulation beads in Jombang in order to increase its competitive advantage?

## LITERATURE REVIEW:

### Marketing Strategy:

Marketing strategy is an activity undertaken by marketers in a competitive situation in an ever-changing environment. According to Knight (2000), the marketing strategy is important for a company because it can help companies achieve success. The marketing strategy is designed to generate tactics and other measures that could meet the demands of consumers in a particular market and ultimately to achieve company goals.

The marketing strategy is one of the functional strategies that form an overall business strategy. Companies can

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develop a marketing strategy that is owned by considering four marketing mix, namely product, price, place and promotion. Companies must pay attention to the products that are sold in accordance with the expectations of consumers, the price paid by consumers must be in accordance with the benefits they get, promotions have to increase market share and have optimal channel distribution (Išoraitė, 2009)

In determining a strategy that should be taken, marketers must consider the company's position among its competitors. (Tjiptono, 2007) states that companies can use two or more marketing programs simultaneously, because each program has a different effect on demand. So, there is a mechanism required here which can coordinate marketing programs in order to be aligned and integrated with the company's vision. This mechanism is called the 'marketing strategy'.

According to (Tjiptono, 2007), the process of selecting marketing strategies require a number of types of information to be considered such as

1. Products' purpose or target: The purpose of the product should be used as guidelines to determine the basic types of strategies needed. On the contrary, if the purpose of the product emphasize more on cash flow and profitability, the marketing strategy should be focused on maintaining or increasing demand from its current customer base;
2. Market opportunities: Market opportunities characteristics and size should be clearly defined based on market analysis and market measurement. Market analysis provides information about who buy the product's form and who does not, and situations when the product is used and situations when it is not followed by the factors that affect the willingness and ability to buy. This information will be useful for managers in selecting strategies and programs to increase the number of users or user level
3. Market success: Marketing managers must understand what is the product's competitive advantage and the necessary marketing spending levels to achieve market success. Through competition analysis, companies can understand who are its competitors, the extent of the intensity of the competition, and what are the advantages that need to be developed in order to compete effectively, confront the competitor brand directly or competitors' class products indirectly.

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#### Strengths, Weaknesses, Opportunities, and Threats (SWOT) Analysis:

(Novicevic, Harvey, Autry, & 23rd III, 2004) states that the SWOT analysis combines four essential components which include the company's internal situation (Strengths and Weaknesses) and external factors encountered in the environment (Opportunities and Threats). Company should identify four important components to be able to take the lead in determine the right strategy for the company.

The four components of SWOT analysis can be described as follows (David, 2009): Strengths are activities in the company that showed the superiority of the company relative to its competitors. Strengths are special competence that gives company a competitive advantage in the marketplace.

Weaknesses are activities within the company that can hinder the performance of the company. Financial resources, management capabilities and marketing skills can be a source of weakness of the company.

Opportunities are external environment conditions that can benefit the company. The change in technology and the growing relationship between the company and the buyer or supplier are some source of opportunities.

Threats are external environmental conditions that will be harmful to the company's position in the marketplace. The existence of government regulations the new or revised can be a threat to the company's success

(Ayub, Razzaq, Aslam, & Iftekhhar, 2013) states that SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) is an evaluation tool used by marketers to assess the strategy undertaken by the company. SWOT analysis help companies identify potential and strength so that it can make use of it to exploit opportunities and ward off the threats; identify weaknesses so that the strategy of the company that owned can reduce these weaknesses.

SWOT analysis is performed to identify the key factors that are important in achieving the company's goals (Srivastava, Franklin, & Martinette, 2013). SWOT Analysis allows companies and SMEs to determine the most appropriate strategy. External Factor Evaluation (EFE) matrix allows strategists to summarize and evaluate information about the economic, social, cultural, demographic, environmental, political, governmental, legal, technological, and competitive. At Internal Factor Evaluation (IFE) matrix, will summarize and evaluate the strengths and weaknesses of the major functional areas of business, and also be element for identifying and evaluating the relationship between those areas. SWOT analysis is based on the assumption that an effective strategy would maximize the strengths and minimize the weaknesses and the opportunities and threats (David, 2009).



**Competitive Advantage:**

Competitive advantage is the strategy adopted by the company or organization in order to survive and face the business competition by utilizing a variety of business opportunities that exist. (Wang, 2014) states the competitive advantage gained when a company developed a strategy that allows it to outperform its peers. According to Jab (1999), competitive advantage can be achieved if customers receive a consistent difference in the most important attribute of the product compared to competitors.

Companies can be successful in achieving a competitive advantage if the company remains focused on pursuing a strategy of product differentiation, utilizing advances in technology and use all the resources of the company (Srivastava, Franklin, and Martinette, 2013)

**METHODOLOGY:**

This study is a qualitative research with exploration and observation on the owners of SMEs in Gudo, Jombang. The population in this study are SMEs’ of beads’ craftsmen in Gudo, Jombang. The samples in this study are chosen using accidental sampling technique that gives a questionnaire and interviews to the craftsmen who are incidentally met without any specific consideration. The sample in this study mounted to six respondents where the respondents are owners of SMEs beads located in Gudo, Jombang. Data collection is done through library research, in-depth interviews and field observations.

ETOP (Environmental Treath and Opportunity Profile) is used to analyze the external environment. ETOP analysis is conducted by gathering information about the opportunities and threats that must be monitored and confronted by the craftsmen so that goals set can be achieved. SAP (Strategic Advantage Profile) was used to analyze the internal environment in the form of strengths and weaknesses within the company. To conduct this analysis, craftsmen must identify the strengths and weaknesses which happened in his SMEs.

The SWOT analysis approach is used to formulate the development strategy of SMEs. SWOT (Strength, Weakness, Opportunities, Threats) analysis is used to evaluate the opportunities and challenges in the business environment and the internal environment (Kuncoro, 2005), with the factors combining Strengths, Weaknesses, Opportunities and Threats.

**FINDINGS AND DISCUSSION:**

Based on the research results, the obtained SWOT table is as follows:

**Table 1: SWOT Analysis**

<p><b>Strength</b></p> <ol style="list-style-type: none"> <li>1. Have a quality product</li> <li>2. The products are well known to overseas market</li> <li>3. Has several variations of the product</li> <li>4. Having a promotional campaign with a wider range</li> <li>5. Understanding consumer needs</li> <li>6. Price according to quality</li> </ol>	<p><b>Opportunity</b></p> <ol style="list-style-type: none"> <li>1. Local government assistance for domestic marketing through exhibition</li> <li>2. Training for manufacture of the raw material beads</li> <li>3. Promotion via the Internet</li> <li>4. Consumer demand for accessories products increases</li> </ol>
<p><b>Weakness</b></p> <ol style="list-style-type: none"> <li>1. Raw material shortages</li> <li>2. The high price of raw materials</li> <li>3. The production process takes a long time</li> <li>4. Lack of capital</li> <li>5. Difficulty finding skilled employees</li> </ol>	<p><b>Threat</b></p> <ol style="list-style-type: none"> <li>1. The existence of a similar product of China with cheaper prices</li> <li>2. Lack of government aid</li> <li>3. Lack of government support in marketing their products abroad</li> </ol>
<p>Strength = (+) 6 Weakness = (-) 5  <b>Total SAP = (+) 1</b></p>	<p>opportunity = (+) 4 Threat = (-) 3  <b>Total ETOP = (+) 1</b></p>

ETOP (Environmental Treath and Opportunity Profile) and SAP (Strategic Advantage Profile) calculation results show in table 1. If described in SWOT matrix, the result will be as follows:

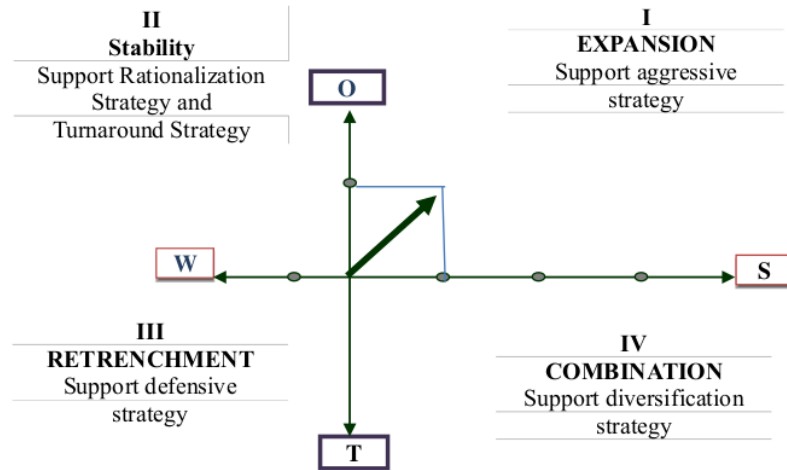


Figure 2: SWOT Matrix

From the figure 2, we can understand the result of internal and external environmental audits that are carried out to beads' SMEs in Gudo which indicates that beads' SMEs is in Quadrant I which supports Strength Opportunity (SO) strategies. SO Strategies mean that beads' SMEs can use the force to take advantage of existing opportunities.

The Quadrant I illustrates that SMEs in this district are into expansion plans and support the aggressive strategy. An organization is able to expand if the company is well positioned to use its internal strength in order to take advantage of existing opportunities, overcome any weaknesses, and avoid all external obstacles.

Based on the collected field data, a general idea is obtained that the beads' SMEs are still weak with limited distribution channels and they lack capital and skilled manpower. Therefore, the development effort is made in the following manner:

1. Helping ease of access to capital, by connecting beads' SMEs with banking through micro-credit institutions, public owned company through CSR programs, and others
2. Market expansion and marketing training, which is conducted to provide an understanding of marketing strategies for the expansion of channel distribution, making online application (web training, blogs, and other social media), product innovation by making products accessories quality as well as pay attention to labels and product packaging training in product design development.

Product innovation is one of the strategies to achieve competitive advantage. This is in accordance with the opinion of (Atuahene-Gima & Ko, 2001) which states that the strategy of product innovation would make the company become more competitive. Product innovation can be achieved by considering the value expected by consumers with the value contained by an existing product. The difference between the two values is the area that can be utilized by the company to create new products.

The increase in market share can be achieved through a quality product. Quality products can certainly attract the attention of consumers. This is accordance with (Moghaddam & Foroughi, 2012) research which found that the quality of products, variety of products can increase market share.

## CONCLUSIONS:

Based on the purpose of research and analysis results, it can be concluded that the problems, faced by beads' SMEs in Gudo based on SWOT analysis, are limited access to distribution and product innovation as well as capital and skilled labor. The strategies are formulated based on the results of SWOT analysis, a) *Forward Integration*, b) *product development*, and c) *concentric diversification*. The marketing strategy chosen for developing Beads' SME are helping in promotion, training in market expansion by making online application, develop product innovation, create attractive labels and packing.

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