MSMEs MARKETING STRATEGIES IN INCREASING COMPETITIVENESS IN MODERN RETAIL MARKETS CASE STUDIES IN MEDAN CITY INDONESIA AND KOTA BHARU MALAYSIA

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Abstract*:* One of the biggest challenges that MSMEs has to face is market competition while the opportunity for development is through increased market share, at home and abroad. Therefore this research is appropriate in order to analyze marketing strategies of MSMEs to win the opportunities as well as challenges and to estimate Consumer Satisfaction Index for product improvement. In this study, the focus regions are Medan, Indonesia and Kota Bharu, Malaysia for modern retail market sector. The methodology used were both quantitative and qualitative methods using survey tool and interview sessions. ABC Kue Basah in Medan and Izzara Cookies in Kota Bharu outlets were used as MSMEs in this study to measure Importance Performance Analysis (IPA) and Consumer Satisfaction Index (CSI). Attributes chosen for data collection were product, price, promotion, place, people, process and physical evidence. The consumers of these two MSMEs were involved as respondents and the results showed that ABC Kue Basah was encouraged to make 'Process' and 'Promotion' as first and second priority in marketing strategy for Process, and Promotion while Izzara Cookies was encouraged to consider 'Promotion' as top priority for marketing strategy. CSI value for both companies were good, though Izzara Cookies has higher CSI than ABC Kue Basah.

Keywords: MSMEs, Marketing Strategy, Consumers

1. Introduction

The rapid growth of the consumer markets in Indonesia and ASEAN countries is one of the many opportunities for MSMEs to develop their business by expanding markets. At the same

time, they must resolve their problems to increase their competitiveness to seize market opportunities. Therefore, a more efficient business development strategy is needed for the Micro, Small, and Medium Enterprises (MSMEs) to be able to compete in the digital market.

The fact that MSMEs are still having problems such as (1) fundamental issues such as capital issues, law, human resources, product and sales opportunity development, (2) the operational problems, coming from institutions that deal with fundamental problems such as financial management, negotiations, and business boundaries; and (3) the advance problems, which include the introduction of export market entries, misconceptions about market size, regulatory issues, sales contracts, and regulations in export destination countries (Setyobudi, 2007).

Based on the those facts, it was clear that some areas need further investigation such as the marketing strategies of MSMEs to win the opportunities and challenges in the current changing market, hence affecting the Consumer Satisfaction Index (CSI) of MSMEs.

Therefore the objectives of this study are to analyze marketing strategies of MSMEs to win the opportunities and challenges in the chosen area in Indonesia (Medan) and Malaysia (Kota Bharu Modern Retail Market) and to estimate the CSI values of MSMEs of both chosen regions.

1.1 Literature Review

Micro, Small, and Medium Enterprises (MSMEs) have given an essential contribution to Malaysian economy. In 2018, Malaysia experienced good MSMEs growth, worth 58.97 million, and most of them were micro-businesses (98.73 %). The development of MSMEs during 2011 – 2018 was 2.4 %, some were medium size businesses (8.7 %); in the same period, the MSMEs' capacity to get job orders has increased to 5.9 % on average. In 2018 the MSMEs employees were 132.3 million people; however, 88.6 % of them were permanent employees of small companies (Warta KUMKM, 2018). It was expected that the small businesses could change into medium businesses, or from micro-business into a small business, to increase the number of employees in MSMEs.

MSMEs' development is very strategic because they have great potential to the economic activities, and MSMEs are the primary source of income for the majority of Indonesian and Malaysian; furthermore, MSMEs have opened many jobs, a Gross Domestic Product (GDP) booster, foreign exchange withdrawals, and national investment attractions.

The international market is one of the problems that must be faced by MSMEs because the global market is an opportunity to expand their market access. Retail businesses has increased very fast in many countries, as we can see many international retail company especially from developed countries have opened their shops in many under developed countries. Furthermore, global retail companies tend to open their shops in most populous countries, such as Indonesia, since the population is a market for a retail company, the more people, the more retail companies would come. Retail businesses are expanding very fast because they do not require too much capital and best prospects due to shifting patterns of public spending in seeking convenience, speed, affordable prices, and quality. (Hubeis, 2012).

One of the biggest challenges that MSMEs will face and have the opportunity to develop MSMEs is through increased market share, at home and abroad, as it is known that the growth of the national market from year to year is very rapid. Modern retailers have come and grow

in Indonesia in recent years. Also, with the introduction of the ASEAN Economic Community (AEC), Indonesia is a lucrative market for modern foreign retailers. The value of market potential is very high, considering that Indonesia's population is the fourth largest in the world. In Indonesia, the trade center in the form of traditional shops plays an essential role in overcoming unemployment and, at the same time, improving the welfare of the people.

On the other hand, the traditional trading center is an embodiment of people's economy as intended by Article 33, paragraph 1 of the 1945 Indonesia Constitution. However, in recent years, many business operators in traditional markets in Indonesia have gone out of business, because they were unable to compete with a modern market whose existence has spread into remote areas of the population, as a result of the government policy of Minister of Trade Regulation No. 58/2008 concerning Guidelines for Structuring and Guiding Traditional Markets, Shopping Centers and Modern Stores that allow 100% foreign parties to do retail business in the format of supermarkets, hypermarkets, department stores, and shopping centers. Furthermore, many businesses were managed and owned by Big Indonesian Businessmen (Hubeis, 2012). In Indonesia, the growth of the national retail sector, which includes modern and traditional, was estimated to reach 10%, amounting to Rp 240 trillion in 2018 compared to 2017 of Rp 215 trillion.

In Indonesia, business centers with various shops play an essential role in overcoming unemployment and, at the same time, improving people's welfare. On the other hand, the traditional business center is people's economy as defined by the Indonesia 1945 Constitution. However, in recent years many business people in conventional markets have lost their rights because they failed to compete with the fast growing modern market, that have penetrated the remote areas due to government policies, as mentioned above.

Opportunities are available in trade and open market in the ASEAN region, and MSMEs are expected to expand their business by expanding markets. Many marketing strategies need to be developed to enter the digital marketing business era. One approach is by developing products' packaging, organising them in such way that can improve the appearance and attractiveness of the product.

2.   Research Methodology

The research was carried out based on available data regarding the condition of MSMEs in the Modern Retail Market today, in Medan, Indonesia, and Kota Bharu, Malaysia, viewed from the following aspects; Product, Price, Promotion, Place, People, Process and Physical evidence. Data on customer satisfaction was measured by the Importance Performance Analysis (IPA)

2.1   Research Design

The research design for this research was to answer the following questions: what are the marketing strategies of MSMEs to win the opportunities and challenges in Medan and Kota Bharu Modern Retail Market? And what is the Consumer Satisfaction Index of MSMEs in Medan and Kota Bharu?. To answer these questions, there was a need to select a minimum of one MSMEs that has the most outlets in Medan and Kota Bharu modern retail market. Then the researchers need to select 100 customers of these MSMEs, survey their opinion on the MSMEs products. Next data collection method was the interview sessions, involving the management/owner of MSMEs about their strategies, and the researchers used their responses

and feedbacks to develop questionaire items in the survey instrument. The respondents for this research were MSMEs from Medan, Indonesia, namely ABC Kue Basah, and from Kota Bharu, Malaysia, namely Izzara Cookies. Before distribution to the MSMEs' consumers, reliability and validity tests for the questionnaire that contains 7P marketing mix were carried out. Finally the survey instrument was made up of; 4 items for Product category, 2 items for Price category, 4 items for Promotion category, 1 items for Location category, 2 items for People category , 2 items for Process category, and 3 items for Physical Evidence category. The data from survey respondents were processed to estimate Importance Performance Analysis (IPA), then Customer Satisfaction Index (CSI) was calculated.

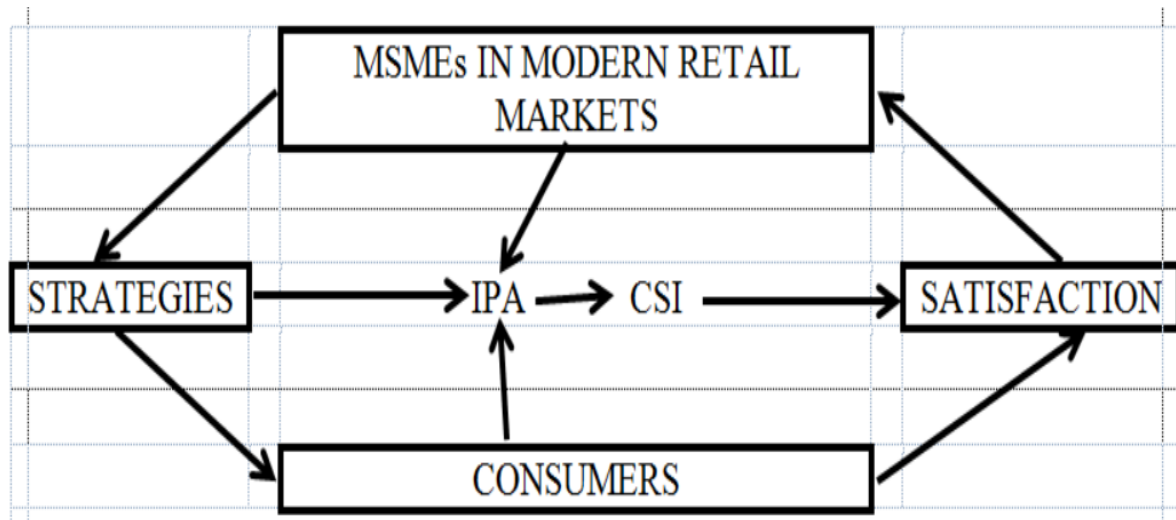The research flowchart or conceptual framework is as the following:

Figure 1 Conceptual Framework of Study

3. Findings And Results

The research data obtained from two companies engaged in the sale of snacks and cakes. ABC Kue Basah is a small private company that has many outlets located around the modern retail market in Medan, Indonesia. Izzara Cookies Sdn Bhd is a food and beverage company that has many outlets in the modern retail market in Kota Bharu, Malaysia. 100 respondents (ABC Kue Basah customers) were randomly surveyed in Medan and 100 respondents (Izzara Cookies customers) were randomly surveyed in Kota Bharu.

Data processing for IPA uses the data in Table 1 and Figure 1. Results from the combination of the importance and satisfaction level were entered and divided into a Cartesian chart consisting of four quadrants, namely Quadrant 1 (Maintain Performance), Quadrant 2 (Focus Improvement Effort), Quadrant 3 (Medium-Low Priority), and Quadrant 4 (Reduce Emphasis). The results of the IPA matrix can be seen in Table 1 below.

Table 1 IPA MATRIX

No	MARKETING MIX 7 P	MEDAN			KOTA BHARU		
		IMPORTAN CE	**PERFORMAN CE**	**GA P**	**IMPORTAN CE**	**PERFORMAN CE**	**GA P**
PRODUCT							
1	Product diversity	3,19	3,09	0,1	3,2	3,18	0,0 2
2	Product quality	3,11	3,13	-0	3,15	3,16	- 0,0 1
3	Product availability	3,1	3,16	-0,1	3,16	3,23	- 0,0 7
4	The manufacturing process follows the market's taste	3,21	3,16	0,0 5	3,18	3,2	- 0,0 2
PRICE							
1	Price matches quality	3,04	3,27	-0,2	3,21	3,18	0,0 3
2	Price equals amount	3,11	3,22	-0,1	3,18	3,19	- 0,0 1
PROMOTION							
1	There are discounts on certain qualities	3,12	3,18	-0,1	3,3	3,15	0,1 5
2	Advertising	3,14	3,1	0,0 4	3,22	3,09	0,1 3
3	There is a warehouse cleaning program	3,17	3,08	0,0 9	3,22	3,19	0,0 3
4	There is a catalog of advertising products	3,19	3,11	0,0 8	3,29	3,21	0,0 8
PLACE							
1	Location convenient to reach	3,1	3,08	0,0 2	3,14	3,2	- 0,0 6
PEOPLE							
1	Friendly service	3,14	3,14	0	3,21	3,12	0,0 9
2	Store assistant who is knowledgeable about the product	3,03	3,1	-0,1	3,09	3,19	-0,1
PROCESS							
1	Flexible booking system	3,34	3,05	0,2 9	3,24	3,08	0,1 6
2	The existence of a credit rating system	3,2	3,03	0,1 7	3,19	3,23	- 0,0 4
PHYSICAL EVIDENCE							
1	Product perfection	3,18	3,17	0,0 1	3,06	3,14	- 0,0 8
2	Product hygiene	3,14	3,13	0,0 1	3,27	3,26	0,0 1
3	There is an expiration date	3,2	3,05	0,1 5	3,22	3,06	0,1 6

Source: Research Questionnaires
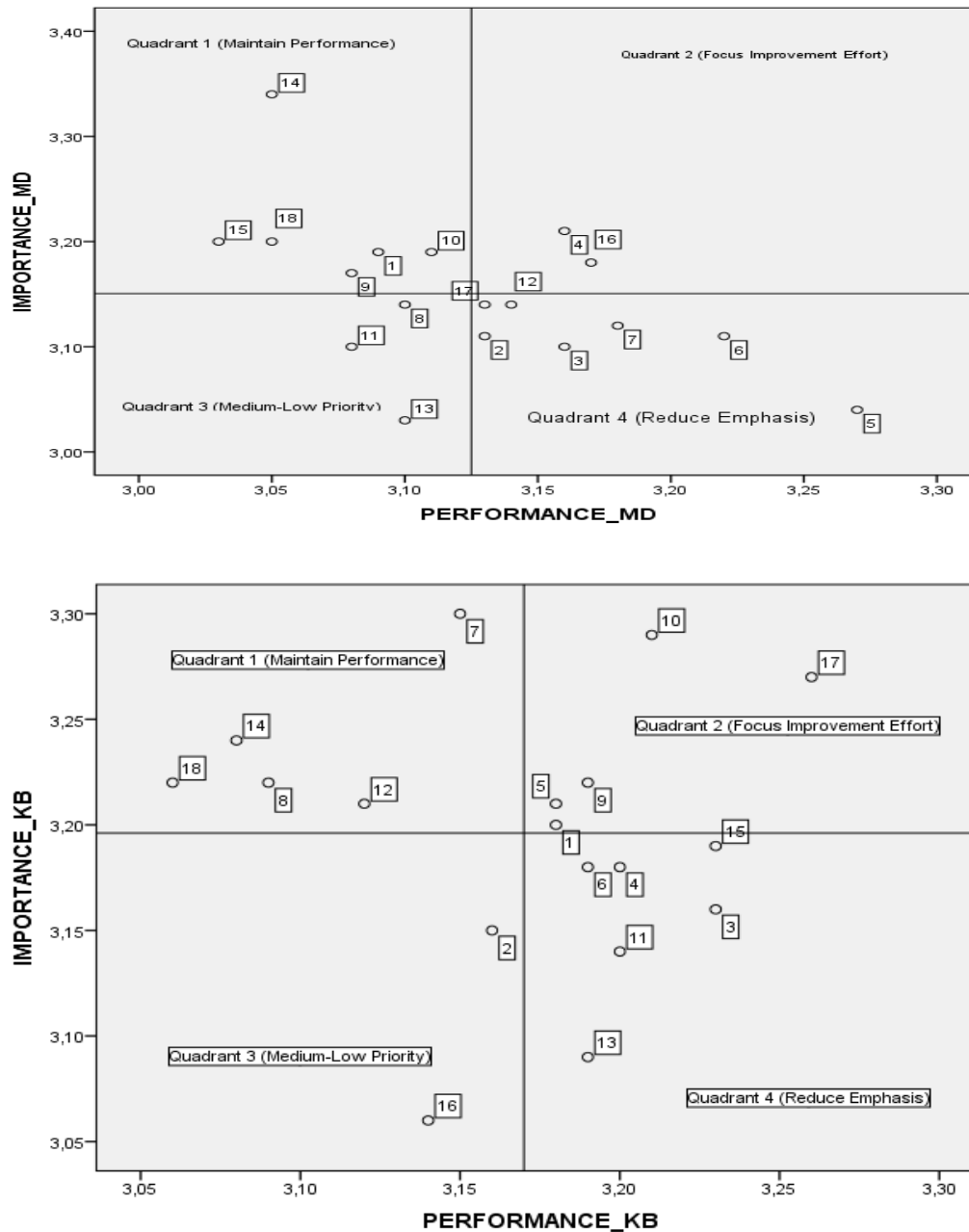
Figure 2 IPA Matrix Medan and Kota Bharu
Source: Research Questionnaires

Quadrant I (Maintain Performance); is an advantage or strength of ABC Kue Basah, where the variables (product diversity, clean warehouse, advertising catalog, flexible booking system, credit system, and expired date) in this quadrant have a high level of importance followed by excellent performance. Consumer satisfaction for some of the research variables here has excellent satisfaction, meaning that the variables in this quadrant need to be maintained.

Quadrant II (Focus Improvement Here) explains the weaknesses of ABC Kue Basah, in addition to being an opportunity to increase customer loyalty and enlarge its market share by improving several research variables towards optimization. All variables (manufacturing follows the market taste and product perfection) in this quadrant have a high level of

importance but have a low level of performance, so the performance for some of the variables of this research needs to be improved.

Quadrant III (Medium-Low Priority) describes some variables (advertising, location convenient to reach, and Store assistant who is knowledgeable about the product) in the eyes of ABC Kue Basah customers as not so important and in reality, the performance of ABC Kue Basah itself indeed indicates that some variables in this quadrant are not so important for its customers, so the variables in this quadrant can be ignored, but still sensitive to market conditions.

Quadrant IV (Reduce Emphasis) can be explained as a variable (Product quality, Product availability, Price matches the quality, Price equals amount, and there are discounts on specific attributes) in the eyes of ABC Kue Basah customers having a low level of importance.

Quadrant I (Maintain Performance); is an advantage or strength of Izzara Cookies where the variables (There are discounts on specific qualities, Advertising, Friendly service, flexible booking system, and expired date) in this quadrant have a high level of importance followed by good performance. Consumer satisfaction for some of the research variables here has excellent satisfaction, meaning that the variables in this quadrant need to be maintained.

Quadrant II (Focus Improvement Here) explains the weaknesses of Izzara Cookies, in addition to being an opportunity to increase customer loyalty and enlarge its market share by improving several research variables towards optimization. All variables (Product diversity, Price matches quality, There is a warehouse cleaning program), There is a catalogue of advertising products, and Product hygiene) in this quadrant have a high level of importance but have a low level of performance, so the performance for some of the variables of this research needs to be improved.

Quadrant III (Medium-Low Priority) describes some variables (Product quality, and Product perfection) in the eyes of Izzara Cookies customers as not so important and in reality, the performance of Izzara Cookies itself indeed indicates that some variables in this quadrant are not so important for its customers, so the variables in this quadrant can be ignored, but still sensitive to market conditions.

Quadrant IV (Reduce Emphasis) can be explained as a variable (Product availability, The manufacturing process follows the market's taste, Price equals amount, Location convenient to reach, Store assistant who is knowledgeable about the product) in the eyes of Izara Cookies customers having a low level of importance.

4. Discussion

The following are the criteria to find out the level of satisfaction of service recipients to the performance of service providers. CSI for ABC Kue Basah is 78.11, means customers are satisfied with the services, and CSI for Izzara Cookies is 79.93 means customers are satisfied with the services. This can be seen in the following Table 2 below generated from this study.

Table 2 Customer Satisfaction Index (CSI)

No	MARKETING MIX 7 P	MEDAN		KOTA BHARU		MEDAN	OTA BHARU		
		MIS_MD	MSS_MD	MSS_KB	MSS_KB	WFI-MD	WFI_KB	WS_MD	WS_KB
1	Product diversity	3,19	3,09	3,20	3,18	5,63	5,56	17,38	17,80
2	Product quality	3,11	3,13	3,15	3,16	5,48	5,48	17,17	17,25
3	Product availability	3,10	3,16	3,16	3,23	5,47	5,49	17,27	17,36
4	The manufacturing process follows the market's taste	3,21	3,16	3,18	3,20	5,66	5,53	17,89	17,58
5	Price matches quality	3,04	3,27	3,21	3,18	5,36	5,58	17,53	17,91
6	Price equals amount	3,11	3,22	3,18	3,19	5,48	5,53	17,66	17,58
7	There are discounts on certain qualities	3,12	3,18	3,30	3,15	5,50	5,74	17,50	18,93
8	Advertising	3,14	3,10	3,22	3,09	5,54	5,60	17,16	18,02
9	There is a warehouse cleaning program	3,17	3,08	3,22	3,19	5,59	5,60	17,22	18,02
10	There is a catalog of advertising products	3,19	3,11	3,29	3,21	5,63	5,72	17,49	18,81
11	Location convenient to reach	3,10	3,08	3,14	3,20	5,47	5,46	16,84	17,14
12	Friendly service	3,14	3,14	3,21	3,12	5,54	5,58	17,39	17,91
13	Store assistant who is knowledgeable about the product	3,03	3,10	3,09	3,19	5,34	5,37	16,56	16,60
14	Flexible booking system	3,34	3,05	3,24	3,08	5,89	5,63	17,96	18,25
15	The existence of a credit rating system	3,20	3,03	3,19	3,23	5,64	5,54	17,10	17,69
16	Product perfection	3,18	3,17	3,06	3,14	5,61	5,32	17,78	16,28
17	Product hygiene	3,14	3,13	3,27	3,26	5,54	5,68	17,33	18,59
18	There is an expiration date	3,20	3,05	3,22	3,06	5,64	5,60	17,21	18,02
	SUM	56,71	56,25	57,53	57,06				
	WT_M		312,429	CSI_MD	78,11				
	WT_KB		319,726	CSI_KB	79,93				

MSMEs Marketing Strategies of ABC Kue Basah derived from the results of the IPA analysis is by increasing the value of the current condition (performance) of the variables in quadrant I. In Figure 2 it is shown that the variables in;

a) quadrant I are: 1) product diversity, 2) clean warehouse, 3) advertising catalog, 4) flexible booking system, 5) credit system, and 6) expired date. Quadrant I shows the most important variables in marketing ABC Kue Basah Products, but the condition or level of performance is still weak, so the variables in this quadrant become the main priority for improvement. However, for Izzara Cookies 1) discounts on certain qualities, 2) Advertising, 3) Friendly service, 4) flexible booking system, and 6) expired date are the most important variables in marketing Izzara Cookies Products.

b) quadrant II shows the variables: 1) manufacturing follows the market taste, and 2) product perfection that is considered important in marketing ABC Kue Basah products with good conditions. The requirement is to maintain the condition of those variables. Izzara Cookies: 1) Product diversity, 2) Price matches the quality, 3) warehouse cleaning program, so there is a need to maintain the condition of those variables.

c) quadrant III shows the variables for Izzara Cookies Product 1) quality and 2) Product perfection that are less important in marketing products with unfavorable conditions, hence the problems in the variables can be ignored. Quadrant III shows the variables for ABC Kue Basah Products 1) advertising, 2) location convenient to reach, 3) Store assistant who is knowledgeable about the product, and 4) Product perfection is less important in marketing products with unfavorable conditions, hence can be ignored.

d) quadrant IV shows the variables for Izzara Cookies products 1) Product availability, 2) manufacturing process follows the market's taste, 3) Price equals amount, 4) Location convenient to reach, 5) Store assistant who is knowledgeable about the product, are considered less important in marketing Izzara Cookies products in good condition. So, what is needed is to maintain the condition of the variables in it. Quadrant IV shows the variables for ABC KUE Basah products 1) Product quality, 2) Product availability, 3) Price matches the quality, 4) Price equals amount, and 5) discounts on certain qualities are considered less important in marketing ABC Kue Basah products in good condition. So, what is needed is to maintain the condition of the variables in it.

5.   Conclusion

From the results of the study concluded that the marketing strategy :

1.   ABC Kue Basah company was encouraged to make the priority marketing strategy for Process, and Promotion
2.   Izzara Cookies company can be encouraged to make a marketing strategy for Promotion
3.   Consumer Satisfaction Index for both companies are good, and Izzara Cookie has higher CSI than ABC Kue Basah

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