UDC 334

THE ANALYSIS OF SEGMENTING, TARGETING AND POSITIONING OF HANDICRAFT SMALL AND MEDIUM ENTERPRISES IN MALANG

Fanani Dahlan, Supriono*

Business Administrative Studies, University of Brawijaya, Indonesia

*E-mail: supriono_fia@ub.ac.id

ABSTRACT

Small and Medium Enterprise (SME) referred to enterprises which had not yet applied professional business management. Most SMEs were only capable in goods production, yet were incapable of marketing the products. Consequently, they found difficulties in business development. This condition was experienced by SMEs in Malang City. The results of some observation showed that only few SMEs had been actively marketing their products, while others were rather passive as they did not conduct any market analysis. Based on this issue, this research focused on the analysis of marketing strategies using STP (Segmentation, Targeting, Positioning) of SMEs in Malang City. This research was done using a descriptive qualitative method, which samples and data were selected using snowball sampling method. The results of this research showed that in the term of product, Sanan Tempeh Chips SMEs needed to apply diversified products by producing other product. In addition, it was also necessary to launch brand variants with different composition, weigh, and packaging to give consumers more options to choose. Meanwhile, seen from the aspect of place, narrow market of the SMEs should be expanded by developing the outlet network. Seen from the aspect of promotion, SMEs were recommended to conduct promotion by participating in various events in East Java. Finally, seen from the aspect of price, price should be properly determined by SMEs and they should offer special price for large consumers. The most appropriate business strategy to apply by SMEs was to optimize the promotion through free advertisement and social media.

KEY WORDS

Segment, target, position, marketing, SMEs, tempeh chips.

A company might choose to only serve certain segment with different consumers yet with similar basic necessities, or it may also choose to offer a series of complete products to serve the whole market segments. (Kotler and Armstrong, 2001:68-69). Kasali (1998:122) mentioned five benefits of market segmentation. First, it allows companies to create product design that is more responsive to the market demand. Second, market analysis. Market segmentation allows a company to analyze other products that dominate the market. Third, it makes opportunity measurement possible. Good concept of market segmentation raises better ideas to find opportunities. Fourth, market segmentation also lets a company to be superior and competitive. A company that applies proper market segmentation is the one that has adequate understanding of consumer characteristics within certain segment. Fifth, market segmentation allows a company to determine the most effective and efficient communication strategy. A company that understands the segmentation of its products will have better communication strategy to apply within certain market segment.

SMEs which refer to enterprises which have not yet implemented professional management tend to be capable at production yet less capable in marketing their products. As the consequence, they often find difficulties in developing the business.

This issue also occurs in SMEs of Malang City. Based on the preliminary observation, the researchers only found some SMEs which have been able to actively market their own products, while the majority of them let the marketing process occur itself as they only focused on producing goods to be sold. They never conducted any market analysis. Regarding this issue, this research was done to analyze the marketing strategy using the implementation of STP (Segmentation, Targeting, Positioning) among SMEs in Malang.

LITERATURE REVIEW

Kotler and Armstrong (2001: 7) defined marketing as a social and managerial process that make individuals and groups obtain what they need and what they want through production activities and reciprocal exchange of products and values. While marketing according to Lamb, Hair, and McDaniel (2001: 6) refers to the process of planning and carrying out the concepts, prices, promotion, and distribution of a number of ideas, goods, and services to create exchanges which satisfy individual and organizational goals.

Segmentation. Segmentation is a grouping process according based on certain specific criteria. Market segmentation itself is a division of markets into smaller groups with different needs and characteristics. According to Kasali (1998), segmentation is the process grouping the heterogeneous market based on certain needs or characters with similar responses in spending their money. There are several variables that need to be considered in determining the most appropriate market segmentation, including geographic aspect, demographic aspect, psychographic aspect, key behaviors, business markets, and international markets.

Targeting. Targeting is an activity that includes the evaluation and determination of certain targeted segments. According to Kasali (1998: 48), targeting is the selection of one or several market segments from the whole market to make company's marketing activities more focused. There are four kinds of strategies in determining the target segment as proposed by Kotler and Armstrong (2008):

- **Undifferentiated Marketing.** Undifferentiated marketing is preferred when a company decides to ignore the differences in market segments to only focus on providing one product. This strategy focuses on the similarity of consumer needs rather than the differences. This strategy is less appropriate to apply today's modern era, since the concept of marketing in this era emphasizes on customer satisfaction and customer value.
- **Differentiated Marketing.** It is a strategy where a company selects several segments to be given separate offers based on the needs of each segment. General Motors implemented this strategy by producing affordable cars that meet the characteristics of the market segment. Gap Inc. also applied the same type of marketing strategy by establishing several different retail stores, such as: Gap, Banana Republic, Old Navy, and North & Towne.
- **Concentrated Marketing.** It is a preferred strategy when companies choose the most profitable and well-served market segment. Generally, companies that use this strategy are companies which resources are limited.
- **Micromarketing.** It is a strategy in which a company offer certain products using certain marketing programs based on individual needs and demands or specific customer groups

Positioning. Positioning is the branding mechanism applied by companies to make their products accepted and well-remembered by the society (Trout in Kotler and Armstrong (2008: 247)). Kotler and Armstrong (2008: 61) also explain that positioning is a procedure for placing certain products in a clear, different, and desirable position the intended market share. Kasali (1998: 527) reveals that positioning is a communication strategy for consumers to make products or brands well-remembered by consumers to make them distinct from other products. (establishing bonding and sympathy for consumers).

Before administering product positioning, companies need to determine the position of the product (product's position) that distinguishes it from other products. This process is called differentiation. There are three stages to do in determining product differentiation and positioning:

- Analyzing the gaps in the market to produce products with competitive advantage to obtain certain positions;
- Determining the right competitive advantage;
- Determining the positioning strategy.

METHODS OF RESEARCH

This research is a descriptive research done using a qualitative approach. Samples were selected using a purposively and snowball sampling. Research data were obtained using triangulation (combined) analysis of inductive or qualitative data. As a qualitative research, the results of this research emphasized the meaning of the finding rather than emphasizing on the generalization of research findings (Sugiyono, 2012: 15). The sources of the data in this research included were the players of Tempe Chips SMEs, The Head of the Department of Industry and Trade, Tempe Chips SME Association, and Consumer Representatives.

RESULTS OF STUDY

Segmenting Analysis. Regarding to the results of this research, the consumers of Tempe Chips from Sanan are the community with different age levels. More specifically, the marketing of the product was aimed at people who love snacks. At first, the segmentation of Tempe Chips from Sanan was limited within domestic scale. Fortunately, as the demands got higher, the marketing of the products have been expanded to international market. The export demand toward the products keeps increasing, and the products have been exported to other countries including the United States. The innovation ultimately leads to positive market responses, and the marketing covers consumers from different age levels. The increasing demand for tempe chips is also supported by affordable prices for both the upper and lower class society. The price of the products ranges from 5.000-6.500 Rupiah per pack. In addition to the affordable price and good taste, the chips also contain various nutrients and high proteins that are good for health.

Psychographic segmentation of the products is the family atmosphere as the chips can be consumed as snacks during gathering activities with friends and family:

Consumer Market Segmentation:

- Geographical Segmentation: National to global (export);
- Demographical Segmentation:
 - Age: All age;
 - Income: Affordable for upper and lower class society;
 - Sex: All;
 - Social Class: All;
- Behavioral Segmentation. Benefits: Besides tempeh chips are cheap and tasty snacks, the chips contain high vegetable protein that is good for health as it balances the nutrients inside the body;
- Psychographic Segmentation: Family and social community.

Targeting Analysis. Target of UMKM Tempe Sanan Chips is limitless regarding to the flexibility of the products. Although various categories can be used as the basis of market targeting, the SME did not apply them. There is no differentiation that applies for consumers with different characteristics such as tourists or non-tourists, domestic or international. The target market of Tempe Chip SMEs include anyone who likes tempeh chips from Sanan.

Positioning Analysis. According to marketing team of the industry, the focus of the positioning was on the accessibility of the products. The location of outlets should be strategic in the center of the city and in locations that are close to the central area of the city, locations that are always close to the market including the international market, allowing consumers to get the products effectively and efficiently. .

The Conformity Analysis between Marketing and the Results of STP Analysis:

- Product. Product refers anything that can be offered by producers to be considered, demanded, sought, bought, used, or consumed by certain market. The quality of products offered by a company is one of the benchmarks for the success of the company since quality products lead to higher customer satisfaction and show that the company succeeds its production. This research investigated the aspects that distinguishes the tempeh products from Sanan SMEs compared to other products from other SMEs. The results of the analysis showed that the tempeh chips produced

by SMEs in Sanan have better product variety, allowing the customers to choose products with variety of types, flavors and packaging.

- **Price.** Price is the amount of money charged for buying certain product or using certain service. In a broader context, price is the sum of all values given by customers to obtain the benefits of certain product or service (Kotler and Keller, 2012: 290). Price is also the most flexible element in the market as it might easily fluctuate. According to the explanation of Business players regarding to pricing, the first aspect to count is the amount of capital spent to purchase a land, as this price greatly affects the determination of product price. In addition, analyzing the pricing of other products is very important because the price of SME products should be affordable to get consumers interested in buying the products. The researcher assessed that the method of determining the price set by the company was very good and would be attractive to consumers, considering that the target market was all people. Pricing is made by producers of tempeh chips, 70% of which are by adding the desired profit to the cost of production issued. Additional services are provided to consumers who buy in large quantities. This is done by 90% of producers by giving discounts, bonuses, or special prices to consumers.
- **Place.** Mr. Lukman Aris as a SME player explained that SMEs are characterized by the way they directly market their products to customers (direct marketing). SMEs usually hire some sales representatives to maintain the direct communication with customers to see their responses. The responses usually lead to product purchase. The location of Sanan Tempeh Chip SME has been regarded strategic as it is located in the center of Malang City. This condition supports the idea of product positioning "*Dekat Mana Saja*" or "Strategic Place". However, product delivery was still conducted directly from the factory to the consumers, instead of from outlets to consumers.
- **Promotion.** Promotion is activity to presents product excellence, persuade and remind consumers to buy certain product. Product competition in the market requires producers to promote their products in order to attract consumers' attention. Promotion can be done through various ways, including: through sales promotion, general publicity, personal sales, and advertisement. Advertisement is regarded an efficient promotion strategy for it requires relatively lower costs and it has strong persuasive power. Advertisement is also very effective because various information about the product is clearly delivered to certain market segments. Through advertisement, producers are able to ensure the buyers that the products they offer meet their needs (Pujiyanto, 2003). Generally, the consumers of Sanan tempeh chips know and buy the products as they obtained positive information from relatives, from SME exhibitions or reviews in the mass media. As many as 60% of producers have participated in various exhibitions to introduce the variety of flavors of the products and promotion to get people interested and purchase the products. The promotion strategies applied by Sanan Tempeh Chips SMEs have been regarded suitable as they support the predetermined product branding for consumers.

The Steps of Branding Strategy:

- **Brand Unawareness:** In the beginning, the society in Sanan used to produced tempeh only. However, they started to produce tempeh chips using their tempeh products which could not be sold in a day. They began to produce tempeh chips with different flavors which flavors made the expiry period of the chips longer than unflavored chips.
- **Brand Awareness:** The community around started to have awareness on the presence of tempeh chips products as they started to consume the chips as daily snacks.
- **Brand Recognition:** After obtaining the awareness from the society, the next step was to make the brand recognized by the community. The community began to know that tempeh chips are tasty, cheap, health and affordable snacks.

- *Brand Association*: The community then started to associate the tempeh chips products as favorite family snacks regardless of economic status or social class. They also began to associate tempeh chips as original snacks from Malang produced in Sanan Village, Malang.
- *Top of Mind*: Tempeh chips products has not yet succeeded in becoming the top of mind as people directly think of Apples when they talk about original products from Malang.

CONCLUSION

It was considered necessary for Sanan Tempeh Chips SMEs to apply diversified product strategy by producing various types of chips. In addition, the SME should launch new brand variants including variety of product packaging to give more options for consumers to choose. Meanwhile, from the aspect of place, the SME only had few outlets. Thus, it is considered necessary to open new outlets to have broader market share. Seen from the promotion aspect, the SME should participate in various exhibitions and events held in East Java. At last, seen from the aspect of price, the pricing was determined by the producers and they apply special prices for large consumers. The SME prioritized the use of free advertisement using social media to promote their products.

It is recommended for SME players to be more creative in developing their products and expanding their market. As the advisor, the government is expected to support the marketing of SME products. Future researchers are encouraged to conduct research focusing on the analysis of each STP element and market share related to the development of other SMEs in Malang City.

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