



## Entrepreneurial marketing strategy on tempe sanan chips small and medium enterprises in Malang

Novi Haryati<sup>1</sup>, Moch. Adi Surahman<sup>2</sup>, Miftakhurrizal Kurniawan<sup>3</sup>, Faizatul Amalia<sup>4</sup>

<sup>1</sup>Faculty of Agriculture, Universitas Brawijaya, Jl. Veteran, Malang, Indonesia

<sup>2</sup>Faculty of Social and Political Science, Universitas Brawijaya, Jl. Veteran, Malang, Indonesia

<sup>3</sup>Faculty of Agricultural Technology, Universitas Brawijaya, Jl. Veteran, Malang, Indonesia

<sup>4</sup>Faculty of Computer Science, Universitas Brawijaya, Jl. Veteran, Malang, Indonesia

### KEYWORDS

SME  
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### ABSTRACT

The development of national industry in Indonesia still faces a number of obstacles such as inadequate infrastructure condition, as well as an increase on subsidised fuel price increase, basic electricity rate and minimum wage. Small and medium scale (SME) food industry is one sector of creative industries with a high contribution to the Indonesian economic development. This study aims to get an overview related to agribased agri-sector SME and to identify internal and external factors to formulate appropriate strategies. The data used were primary data from 30 craftsmen in tempe Sanan Malang Chips Center. Data analysis was done descriptively quantitative using Entrepreneurial Marketing concept consisting of 7 dimensions. The results showed that the SME had a strength in terms of its already known products, the weakness was that the product has not been able to meet the export market share. An appropriate strategy was to improve marketing and processing technology.

### Introduction

Agricultural industrialisation through the development of the agro-industrial sector can be seen as the most appropriate transition in bridging the process of economic transformation in Indonesia, especially the Small and Medium Enterprises (SME) sector. One of the SMEs engaged in agro-industry is the Sanan Tempe Chips industry in Malang City. Tempe chips are one of the local food products from Malang City with a high market potential. In the operation, the tempe chips SMEs are facing a lot of problems, especially in terms of marketing techniques. Therefore, this research tried to introduce entrepreneurial marketing methods to SMEs.

Kraus et al. (2010) defines entrepreneurial marketing as an organisational function and a set of processes to create, Communicate and provide value to customers and to manage customer relationships in a way that benefits both organisation and stakeholders, and it has the characteristics of innovativeness, risk-taking, proactiveness, and may be done without controlled resources. Moral et al. (2010) states that the construct of entrepreneurial

marketing is not as simple as the relationship between a set of marketing and entrepreneurial processes that emerge as conventional concepts, but it includes all aspects of Administrative Marketing and Entrepreneurship. Kotler and Armstrong (2012) said that in the early stages, when a company is small, flexible and willing to experience new things, a type of informal marketing is practiced and this will become entrepreneurial marketing.

The emergence of the concept of Entrepreneurial Marketing is a response from several research results that show a mismatch between traditional marketing theory and marketing practices in SMEs (Ionita, 2012). Based on these conditions it is known that the existing marketing concept (i.e. traditional marketing) which was originally developed for large companies, cannot be directly transferred to the small business world without adaptation. This is based on the application of the marketing concept by SME actors that is practiced differently from traditional marketing textbooks (Kraus et al., 2007). The results of the study illustrated that there is a need for a marketing concept that is more in line with the typical characteristics of SMEs.

\* Corresponding author  
E-mail address: noviharyati@ub.ac.id

The purpose of this research was to obtain an overview related to agribusiness-based food sector in the Sanan Tempe Chips SME, and to identify internal and external factors of the company to formulate appropriate development strategies.

### Research Methods

This study was a qualitative descriptive research, an investigative pattern in which data and statements were obtained from the results of direct interaction between the researchers, the investigated object and the people in the research area. Descriptive means that the research seeks to capture a phenomenon in the field to understand a problem (Walidin et al., 2016).

The research was conducted at the Sanan Tempe Chips Center located in Malang City from March to May 2018. The research site was determined purposively because this industry is one form of agro-industry in the food sector that has high contribution to Malang as Tourism City and the welfare of its entrepreneurs. The data used in this study were primary data obtained from Department of Industry and Trade of Malang and Entrepreneurs of Sanan Tempe Chips in Malang by interview.

This research used 65 respondents as a sample that was selected through total sampling. It is a sampling technique that is done intentionally with certain considerations that reflect the representation of the total population or the judgment of experts to achieve the research (Walidin et al., 2016).

The 7 dimensions of entrepreneurial marketing in Tempe Chips SMEs was prepared descriptively, while the strategy of strengthening SMEs can be done by using SWOT analysis. This analysis was carried out with the aim of understanding the most important internal and external factors in the Tempe Sanan SMEs institution in Malang City. The qualitative approach to the SWOT matrix displays eight boxes, include external factors (opportunities and challenges), and internal factors (strength and weakness), as shown in Fig. 1 (Rangkuti, 2006).

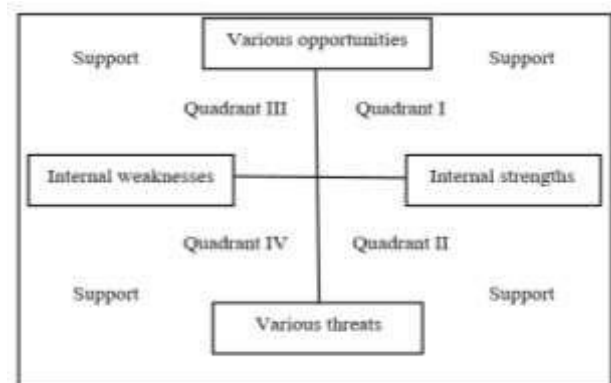
The strategy formulation is conducted by combining internal and external factors contained in the SWOT matrix. The other four boxes are boxes of strategic issues that appear as a result of the meeting point between internal and external factors in the 7 Dimensions of SME Entrepreneurial Marketing in Sanan Tempe chips.

According to Rangkuti (2006), SWOT analysis is used to systematically identify various factors in the formulation of strategies. The combination of internal and external factors will greatly affect the

company's performance. SWOT analysis is applied by comparing external factors such as opportunities and threats with internal factors in the form of strengths and weaknesses of a company or organisation. Determination of alternative development strategies should be formulated after the institution or organization analyses which quadrants are the conditions and position of the current institution or organisation (Fig. 2). Thus, the selected alternative is in accordance with the internal and external conditions of the institution, particularly SMEs.

Internal External	Strength (S)	Weaknesses (W)
	1. 2. 3.	1. 2. 3.
Threat (T)	ST strategy Use S to avoid T	WT strategy Minimize W and avoid T
Opportunity (O)	SO strategy Use S to manipulate O	WO strategy Overcome W by manipulating O

**Figure 1.** Internal and external factors of SME (Rangkuti, 2006)



**Figure 2.** Company position in four quadrants (Rangkuti, 2006)

- In quadrant I, SME is recommended to use an **aggressive strategy**. The company in the quadrant I has a very profitable situation, because of the location of the company in a condition that seems to have the opportunity and strength. Therefore, the company is required to be able to take advantage of the existed opportunities.

- b. In quadrant II, SME's strategy is a **diversification strategy**. Companies should face the situation which full of various threats by using power from internal perspective. Thus, it requires strategies that are capable of taking advantage of long-term opportunities.
- c. In quadrant III, the appropriate strategy to be implemented is **turn around**. In this condition, the company has a large market opportunity but it is followed by the emergence of large internal constraints/weaknesses. Companies need to formulate strategies that reduce internal weaknesses to be able to take advantage for better opportunities.
- d. In quadrant IV, a **defensive strategy** is needed. The company experiences the complicated situation where various threats and internal weaknesses were faced. The most important thing to do is the companies must be able to defend themselves.

### Results and Discussion

Tempe chips are processed snacks made from tempe. This also supports the development of activities in the industrial sector and central business by food, which is one of its superior products, such as "Special Tempe Chips of Malang". The interview with the head of the Sanan Tempe Chips Foundation, Mr. Saiful, shows that there was a decline in the tempe chips industry. This was due to soaring soybean prices which hinder the supply of raw materials in the form of tempe. In 2007 the number of tempe chips industry was 80-90 industries while in 2010 it decreased to 65 tempe chips. The 65 SMEs are still existed in the business with the average income per month of IDR. 4,000,000.

All tempe chips industries are in one area, thus the competition among them are very high. Such condition will have an impact on the opportunities and threats they will face. Therefore, 7 Dimensions of entrepreneurial marketing are needed to see aspects of the opportunities, challenges, strengths, and weaknesses of the Sanan Tempe Chips Industry in Malang.

The 7 dimensions in entrepreneurship marketing is intended to see the continuity between important factors that need to be considered to produce optimal marketing. These dimensions consisted of:

1. Proactiveness is the level of ability to create good relationships informally and formally. The Sanan Tempe Chips SMEs have received support from the government in this case the Malang City Industry and Trade Office. This support is in the form of tools, business capital

and training in making tempe chips. The entrepreneurs have established good relations for years with aid providers. They have a form of foundation that makes it easy as a place to channel aspirations with the government. Furthermore, the SMEs also get support of services from the banking sector.

2. Opportunity focused is the level of ability to read market opportunities. The Sanan Tempe Chips SMEs have conducted a simple market analysis. They are very confident that since the establishment of the center area, it can focus the attention of buyers and consumers on the need to purchase tempe chips.
3. Calculated risk-taking is the level of ability to calculate risks to suppliers and sellers of products. The highest type of risk based on interviews is the production risk and risk of human resource management. Production risk can be seen from the fluctuations energy price, for example the issue of green tube gas conversion which is replaced by pink tube gas at a more expensive price (IDR 68,500 per 5 kg). Also, tempe raw material which uses imported soybean. Soybean is also very risky to extreme temperatures. Tempe entrepreneurs can overcome this with special treatment of adjusting the tempe temperature, so that they can produce a good quality tempe which then can be further used for making tempe chips with a good taste. Risks in labor management are related to the inattention of the workforce in the production process. This risk management is by observing the work rules in making tempe chips. Health workers access is carried out by the association or foundation by registering workers to take part in the BPJS.
4. Innovativeness is the level of ability to create and diversify products. Products sold are tempe and tempe chips. However, the superior product is tempe chips. Before 2010, tempe was a superior product but over time and the development of the era of superior products turned into tempe chips which were marketed as souvenirs. Tempe chips entrepreneurs have diversified. Diversification carried out is that there are two forms in tempe chips products, namely round and square shapes. In addition, the weight of tempe chips produced is divided into two, namely the weight of 100 g and 200 g. The effort to promote products is by participating in exhibitions in various regions, promotion through social media (i.e. Facebook, Instagram and website), as well as through coverage

contained in the special column of SMEs in the mass media.

5. Leveraging resource is the level of ability to optimise resources in SMEs. The number of employees owned by each SME is around 5-10 people consisting of male and female workforce. Male laborers do slicing, while female workers do frying and packaging. The division of labor is based on the expertise of each worker. Resource optimisation at the SME is carried out with work training every 1 month, which is assisted by the Industrial Agency. The training includes quality, health and production skills training.
6. Consumer Intensity is the frequency level following customer tastes. Consumer intensity is done by noting the origin of the consumer. The customers of this Sanan Tempe Chips product come from outside Malang city such as Aceh, Pontianak, Bengkulu to Papua who get the information from the internet. Customers from Malang, get information from neighbors or the internet. Most consumers like the original taste. Promotions, such as if buying at a certain amount will get a discount, are given by distributors or sellers on special days or big events. Mass production has been carried out for fulfilling the export needs. But, this affects the quality of taste. Marketing with integrating the information technology has been carried out, entrepreneurs already have several information networks such as websites. However, according to respondents that the most selling marketing is through word of mouth, that is, from previous buyers. The media that has been used to promote the products of entrepreneurs is divided into 2, include offline mass media (in cooperation with the government) and online media (i.e. websites, Instagram, google, facebook). According to some information technology entrepreneurs, the implementation of information technology are helping them in operating their business because the products marketing can be very effective and can reach consumers outside the city. Tempe Chips Entrepreneurs feel greatly helped by the

Google Map to show their location and provide benefits for their product marketing.

7. Value creation is the level of frequency of information seeking for new types of products by consumers. The basic problem is that the SMEs do not record consumers who buy Tempe Chips products. However, they already know their loyal customers such as schools, offices, who buy in large quantities for souvenirs. Every 3 months, the SMEs followed-up the loyal customers to obtain information whether they want to order further. The sellers provide a room for criticism and suggestions for consumers that are supported by the website to enhance and strengthen the business in the future. Regarding product value creation, the sellers often included their products in the exhibition, most recently participated in the Malang Expo Exhibition, the furthest following the exhibition in Riau. To help information to buyers, the sellers have included complete information on the products, such as product name, taste, size, price, PIRT permit, contact person and product origin. The quality control was also carried out on a daily basis, particularly on the tempe raw materials and flavors after processing. Various shape and taste of tempe chips are produced following the customers demand.

SWOT analysis is done by analysing internal and external factors. The score is based on the current rating (high or low), while the weighting is based on the level of handling. If the weighting value is high, then a factor needs to be addressed and vice versa. The calculations are shown in Table 1 and 2.

Internal factors has value of 0.125 that shows Strength (S) has more value than Weakness (W). While, External factors has value of 0.199, indicating that Opportunity (O) has more value than Threat (T). Based on that analysis of internal and external factors, an entrepreneurial marketing strategy uses SO strategy. SO Strategy can be formulated as illustrated in Fig. 3.

**Table 1.** Internal SME factor analysis of Sanan Tempe Chips Center

No	Internal Factor	Value		
		Value	Score	BxS
	<b>Strength</b>	0.5		
1.	Sanan Tempe Chips Products have affordable prices	0.125	4	0.5
2.	Sanan Tempe Chips Products have special customer	0.125	3	0.375
3.	the central area provides easy access to marketing for Sanan SME entrepreneurs	0.125	4	0.5
4.	Employers have organizations and associations.	0.125	3	0.375
				1.75
	<b>Weakness</b>	0.5		
1.	Productions is held traditionally	0.125	4	0.5
2.	SME entrepreneurs produce with limited capacity	0.125	2	0.25
3.	Employers have limited capital in business development	0.125	4	0.5
4.	Tempe Chip Entrepreneur pay attention to consumer tastes and conducted marketing research	0.125	3	0.375
	S-W = 0.125	1		1.625

Source: Self-processed data (2018)

**Table 2.** External Factor Analysis at the Sanan Tempe Chips Center

No	External Factor	Value		
		Value	Score	BxS
	<b>Opportunity</b>	0.6		
1.	Support from Private and Government parties	0.2	4	0.8
2.	Marketing using online media	0.1	4	0.4
3.	Ease in accessing credit for investment	0.1	3	0.3
4.	High product competitiveness for export market share	0.2	3	0.6
				2.1
	<b>Threat</b>	0.4		
1.	increase in prices of basic ingredients in the business of making tempe chips	0.1	4	0.4
2.	Competition between tempe chips entrepreneur	0.1	2	0.2
3.	The existence of competition with chips products made from raw materials other than tempe (jackfruit chips, cassava chips, etc.)	0.1	1	0.1
4.	Processing technology is increasingly advanced	0.1	4	0.4
	O-T = 1.99	1		0.11

Source: Self-processed data (2018)

<b>SO STRATEGY</b>	<b>ST STRATEGY</b>
1. Product Differentiation	1. Endeavoring domestic soybean production to meet the supply of raw material for tempe chips
2. Improve customer service	2. Improved e-commerce-based business training
3. Use of mass media for promotion	
<b>WO STRATEGY</b>	<b>WT STRATEGY</b>
1. Utilizing processing technology for mass production	1. Improve marketing with segmenting, targeting and positioning
2. Utilizing government support to help business capital	2. Expanding markets outside the city and abroad

**Figure 3.** SWOT analysis strategies

Fig 3. Shows that the SO strategy (Strengths Opportunities Strategies) uses strength in exploiting opportunities. The study have also recommended alternative strategies, namely by using differentiation strategies. If the company chooses

this strategy, the company strives to be unique in certain dimensions of the products they produce, where the uniqueness is considered valuable by consumers. According to Kotler (2012), differentiation can be done by companies in five

dimensions such as product, service, personnel, channel and image differentiation. Regardless of the source of differentiation by a company, if the customers consider the differentiation is valuable, they will be willing to pay a high-priced product compared to product from a competitor.

The SO strategy can be carried out by increasing the quality of service for customers through developing software and technology used, expanding the target market by implementing promotional strategies using social media, actively updating information about software for editing photos and videos. In addition to using the SO strategy, the company also used a differentiation strategy to strengthen the uniqueness of its product, which is valuable aspect in the customer's preference.

### Conclusions

Sanan Tempe Chips Center is part of the food processing industries that has a quite well established entrepreneurial marketing studies. Yet, there were some obstacles faced that require SO strategy to enable the tempe chips industries in providing good service to their customers. In-depth study on agroindustry has been necessary for further research considering that marketing is always racing against changes in the era and advances in increasingly high technology.

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### Conflict of interest

The authors declare that there is no conflict of interest in this publication

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