

THE MARKETING CONCEPT FOR MSME INDUSTRY BASED ON RETAIL COMMUNITY

Cyndia Audria Sianturi¹, Nalom Siagian²

¹Student of Business Administration Study Program , Faculty of Social and Political Science , UHN Medan.

²Lecture of Business Administration Study Program , Faculty of Social and Political Science , UHN Medan.

Correspondence : nalom.siagian@uhn.ac.id

ABSTRACT

The reality of the growth of the retail industry, is actually a form of how there is growth in consumption growth in a modern format. In Indonesia, retail players such as Indomart and Alfamart are proof that the retail industry is in full bloom. The network is so tight, sticking together, shadowing each other. They exist in almost every district, with a strong franchise concept.

On the other hand, by locus, they occupy an area, which is very likely in each region there is a small industry / MSME business that requires marketing links. This paper only intends to describe how the scenario for developing the MSME market is based on possible synergies with these retail companies. The result of reflection is the need for a driving aspect in the form of regulation by regional leaders and the readiness of MSME actors themselves when entering the modern retail network.

Keywords: Marketing, MSME, Retail, Community

INTRODUCTION

The rapid advancement of technology and information has changed people's consumption spending behavior. From the previous household consumption expenditure to meet basic living needs, now it has shifted to secondary and primary needs. This is reflected in spending on lifestyle which grows above the consumption of food and beverages. Spending time in cafes and traveling has now become a lifestyle for people, especially millennials, as information spreads on social media. Based on data from the Central Bureau of Statistics for Gross Domestic Product (GDP), household consumption expenditures for restaurants and hotels in the third quarter of 2018 at constant prices grew 5.69% compared to the third quarter of the previous year.

Household consumption in the third quarter of 2018 grew 5.01% compared to the same quarter the previous year (YoY) and also grew 3.31% compared to the previous quarter (Q to Q). Likewise, cumulatively (TW I-TW III 2018), public spending grew 5.03% compared to cumulative (TW I-TW III 2017). Data from the Central Statistics Agency recorded the Gross Domestic Product (GDP) of household consumption in Q3 2018 based on a constant basic price of Rp. 1,440.84 trillion or around 53.68% of the total national GDP of Rp. 2,684.19 trillion. The largest public expenditure on food and beverages (excluding restaurants), which reached Rp 528.59 trillion or 36.69% of total household consumption. Then followed by transportation and communication amounting to Rp 361.9 trillion or 25.12% of the total. In the third quarter of 2011, household consumption grew by 5.89% (YoY) and was the highest level during 2010-

quarter III 2018. However, after that, the growth of public expenditure experienced a slowing trend. In fact, several times it recorded growth below 5% (katadata.co.id).

The consumptive reality above, of course, is an opportunity where business people can supply these increasing needs. In the tradition of providing goods and services, there is a retail or retail concept that provides direct supply to end users or direct consumers. Today's retail industry is packed with modern management traditions that seek to reach consumers in close-up, convenient shopping. This format is adopted by retail sector businesses to develop outlet distribution and service standardization. As an illustration, Alfamart and Indomart, for example, have become successful retail industry networks in the country in serving the consumption of the wider community.

On another reality, we can see how the MSME industry as a producer of goods and services is believed to display extraordinary potential. MSMEs are said to be a resilient sector and harbor potential for prosperity for the perpetrators only and only if they are developed as well as possible. One of the problems of many development problems is the problem of product marketing. Marketing is indeed the end horn for the self-defense mechanism of a business entity. Therefore, in this simple and brief study, we will describe the possibility of synergy between the proliferation of the modern retail industry and the marketing aspects of the MSME industry.

THEORETICAL FRAMEWORK

MSME Industry

The definition of Micro, Small and Medium Enterprises (MSMEs), in accordance with Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (MSMEs) are:

(1) Micro Enterprises are productive businesses owned by individuals and/or individual business entities that meet the criteria for Micro Enterprises as regulated in this Law, (2) Small Businesses are productive economic businesses that stand alone, which are carried out by individuals or entities. a business that is not a subsidiary or not a branch of a company that is owned, controlled, or becomes a part either directly or indirectly of a medium-sized business or a large business that meets the criteria for a Small Business as referred to in this Law, (3) Medium Enterprises are economic businesses stand-alone productive activities carried out by individuals or business entities that are not subsidiaries or branches of companies that are owned, controlled, or become a part either directly or indirectly with a Small Business or a large business with a total net worth or annual sales proceeds as regulated in this Law.

Marketing Management

Marketing management includes management activities with the aim that the products/services made by the company can be accepted by consumers. The strategy of how to choose the product to be sold including the packaging, how to introduce (promote) the product, how to set the right price, and how to distribute the product are the main activities in marketing management. Production/operations management is a management activity with the aim of making a product/service with a certain quality/qualification at an efficient cost. Measures such as liquidity ratios, solvency ratios, activity ratios, and profitability ratios will be used to see the success of SMEs in their financial management. In fact, in addition to having many functions and benefits, the existence of SMEs still contains various basic problems that need to be studied and addressed immediately. In addition to the problems in the management field mentioned

above, small entrepreneurs (SME actors) also facing marketing problems, human resource problems, capital problems, partnership problems and social, economic, political and cultural problems (Anoraga, 2002) Partnership problems in small businesses can be interpreted differently.

Partnership problems can be interpreted as cooperation between small entrepreneurs or in collaboration with medium or large entrepreneurs. The problem of partnership in small businesses either with fellow small entrepreneurs or with large entrepreneurs is still lacking and limited. According to Maisaroh (Wihana. 2001) in his research, he emphasized strategic partnerships or alliances showing that the issue of partnerships between small entrepreneurs (SME actors) is very important compared to partnerships with medium or large entrepreneurs. Retail Industry. Understanding Retail According to Kotler and Keller (2006) retail or retail marketing mix is a set of marketing tools used by companies to pursue their marketing goals. The retail mix includes all the actions a company can take to influence the demand for its products and all the possible actions the company can take can be summed up as a group of variables which include product, location, price, and promotion.

Retail is the sale of a small number of commodities to consumers. According to Levy and Weitz (2001), retailing is a series of business activities to add value to goods and services sold to consumers for personal or household consumption. So consumers who are the target of retailing are final consumers who buy products for their own consumption. Meanwhile, according to Berman and Evans (2001), retailing is a business venture that seeks to market goods and services to final consumers who use them for personal and household purposes. Products sold in the retail business are goods, services or a combination of both. According to Kotler (2005) retailing is retail sales including all activities that involve selling goods or services to final consumers for personal, not business use.

RESEARCH METHODS

The method used in this research is descriptive analysis method. Mabrudu (2013) says that analytical research only analyzes to the level of description, namely analyzing and presenting data systemically, so that it can be more easily understood and concluded. Descriptive research (descriptive research) is a research method aimed at describing existing phenomena, which took place at this time or in the past (Furchan, 2004).

DISCUSSION

Modern Retail Community

Interesting when talking about the retail business. Moreover, it is related to retail business growth data in Indonesia. However, before talking about data, let's first discuss what a retail business is. Retail business is a business that sells directly to end users (consumers) a product in retail that can be used directly to meet their needs, not as material to be made into new goods or for resale.

Retail business can be found in everyday life. For example, when you are shopping, you will definitely come across shops that provide daily necessities that are sold in retail or individually. Well, that's the retail business. It seems that this is good news for those of you who want to try to do retail business. The reason is that as of 2019 the retail business is estimated to reach 10% or Rp256 trillion. This was stated by Tutum Rahanta as Deputy

Chairman of the Association of Retail Entrepreneurs in Indonesia (APRINDO). He said that he was optimistic that the retail business could achieve 10% growth even though in 2017 the retail business was only able to achieve 3.7% growth. So, the retail business from the previous 3 years, 2016, 2017 and 2018 always shows a positive trend (Katadata.co.id)

In 2016 the retail business reached Rp205 trillion. Then in 2017 the retail business reached a value of IDR 212 trillion and finally in 2018 the growth of the retail business reached IDR 233 trillion. Even 2017 to 2018 growth was much higher than 2016 to 2017. This could be a positive signal for retail business growth in 2019. Solihin Putera who is a Corporate Affair one of the largest retail business players, namely Alfamart which is under PT. A source of Alfaria Trijaya, Tbk said that he is also optimistic regarding the growth of this retail business. He explained that based on Alfamart's financial data, turnover grew 8.77% from IDR 45.60 trillion in the second quarter of 2018 to IDR 49.60 in the third quarter of 2018.

Even so, we need to be careful because there is a shift in people's shopping styles who prefer to use electronic sales platforms (E-commerce). This could result in a decline in the growth of the modern retail business, especially in the Fast Moving Consumer Goods (FMCG) sector. What is FMCG? FMCG is a product that can be sold quickly that has a relatively cheap price, and is usually a daily necessity.

Store closures and layoffs again colored the retail industry in early January 2019. PT Hero Supermarket Tbk (HERO) decided to close 26 outlets and fired 532 employees. This step was taken as an efficiency measure due to the decline in HERO sales throughout 2018. Chairman of the Indonesian Retail Company Association (Aprindo) Roy N. Mandey said the closing of retail outlets was related to changes in business models. Currently, the retail industry is the most developed type of minimarket. "Minimarket growth is above 15% per year. They can still open 1000 outlets per year," (Katadata.co.id).

However, the obstacles related to the shift in consumer behavior did not dampen the spirit of Roy N. Mandey as the chairman of APRINDO who remained steadfast in his optimism regarding the growth of the retail business which could reach 10%. For this reason, Tjahya Widayanti as Director General of Domestic Trade said that there needs to be a special strategy to boost sales in the retail business. What he offers is to develop an omnichannel strategy. What are the factors driving the growth of the retail industry this year? First, the government has suppressed the inflation rate in 2018 to no more than 3.2%. Second, the 2018 economic growth was close to 5.2%. That means economic growth is still running and not declining, and contributing to the entire economic industry in Indonesia. Third, the consumer confidence index stood at around 167 by the end of the year. Where the indicator above 100 reflects at least three things that happen to Indonesian consumers. First, people believe in the economy so they continue to consume. Second, they believe that the price they buy is appropriate and not excessive. Third, in terms of income or income, they are able to shop. We see these things as contributing to retail consumption in 2018 (Katadata.co.id).

MSME-Modern Retail Interaction

Besides the potential for growth in sales volume and modern retail outlets which are getting higher from year to year, on the other hand the MSME industry is also showing a pleasant growth performance. If this is related to global market conditions, MSMEs display a remote position and are protected from the global recession, so regulations relating to the existence of establishments must provide convenience. The ease of doing business that needs attention and first of course is the legality of the business. So in this context, there needs to be

a licensing breakthrough. Permissions should be made as simple or minimal as possible, eliminating unnecessary things. Besides that, in terms of time and process procedures, there is a need for acceleration with a one gate system, of course only with indexation approach. Maybe with a key performance index (KPI) measure to monitor the process.

Chairman of the Association of Indonesian Retail Companies (Aprindo) Roy N. Mandey said that the minimarket's opportunity to grow is still very large compared to other types of retail, such as supermarkets or hypermarkets. This happens because people's behavior has changed, they just buy what they need. Well, the mini market that provides. Another reason is also the distance factor. The location of the minimarket is close to where you live or work (tirto.id).

Something that is actually interesting to see is when the government uses its authority to design regulations that favor MSMEs or at least provide policy support. Through its bureaucratic organs, namely the Director of Business Development and Distribution Actors of the Directorate General of Domestic Trade at the Ministry of Trade, the government really hopes that the modern retail industry can continue to grow, supported by the relaxation of provisions regarding areas that have so far been regulated in Presidential Regulation (Perpres) No. 112/2007 Arrangement, Development of Traditional Markets, Shopping Centers, and Modern Stores.

The requirements for the establishment of modern retail, which so far have to refer to detailed spatial planning (RDTR) rules in each region, are now based on regional spatial planning (RTRW) regulations. Thus, the establishment of a modern retail industry associated with the RTDR or zoning is the authority of each district or city government. If so, the expansion carried out by modern retailers in the country is often hampered by the limited number of regions that have RDTR provisions. The reason is, currently there are only 41 districts or cities in a number of provinces that have RDTR, while for RTRW, there are already 472 districts or cities in 34 provinces that already have it.

The graphic above illustrates how MSME products are marketed in a modern retail market network based on the jurisdiction of a certain city district. This is possible because the existence of a minimarket or modern retail market cannot be separated from its regional social base. Moreover, in the regulation there is an effort to involve regional powers which determine from the aspect of business legality. Local governments can encourage the implementation of a collaboration by being behind the MSMEs in their territory so that their products are marketed through the modern retail market network.

MSME institutions with their various products become the center for the source of certain goods/services which are then distributed to the modern retail market network in accordance with certain standards set by the retail company. Of course with a good agreement between the two parties. Products that can be marketed, for example, are food products, handicrafts and so on. There are also regencies, cities, centers of organic rice, for example, so the network could be used to pick up a wider market.

The supply chain of merchandise for the modern retail industry network can enter a wider scale when economic interactions occur within the scope of districts/cities. The deeper the circle of intersection, the assumption is that interdependence and cooperation will be even greater. In this case, it will be very possible if from each region where the retail industry business group displays local MSME goods. Finally, it is a very good hope that then it will be widely distributed widely, following the existing distribution pattern of modern retail.

The franchise system was actually developed by the management of the modern retail industry center with local residents/entrepreneurs. This actually also provides an opportunity, how local entrepreneurs who have modern retail business units are able to cooperate with MSMEs as partners, suppliers for merchandise that meet the criteria for the modern retail market. However, their locus of business is within the MSME business entity, so there is a kind of moral force that underlies the pattern of a good partnership between MSMEs and the retail business network they own and manage.

CONCLUSION

The development of a modern retail business network nationally with a distribution to remote districts/cities is actually a reflection of the growing consumption pattern of the people. People will fulfill their needs by paying attention to the place/access to get goods. This is an opportunity for the wider MSME market when selling their products. The local government where the modern retail market network is located can use its authority to urge the business network to partner with MSMEs in its area. This, of course, still pays attention to the characteristics of the products that will be marketed through the modern retail industry. Even local entrepreneurs can play a greater role in jointly advancing MSMEs in their community base.

REFERENCES

- Anoraga, Panji dan D. Sudantoko, 2002. *Koperasi: Kewirausahaan dan Usaha Kecil*, Jakarta. Penerbit Rineka Cipta.
- Berman, Barry dan Joel R. Evans. (2001). *Retail Management: A Strategic. Approach*. New Jersey: Prentice Hall.
- Furchan, A. (2004). *Pengantar Penelitian dalam Pendidikan*. Yogyakarta: Pustaka Pelajar Offset
- Jaya, Wihana K. 2001. *Ekonomi Industri: Konsep Dasar Struktur Perilaku dan Kinerja pasar*, Edisi II, Yogyakarta. Penerbit BPFE.
- Kotler, Philip. (2005). *Manajemen Pemasaran*. Jilid 2. Jakarta. Bumi Aksara.
- Kotler, Philip dan Keller K Lane, (2006). *Manajemen Pemasaran*, Jakarta: Ghalia .Indonesia.
- Levy & Weitz, (2001). *Retailing Management*, 4th edition. New York: Mc.GrawHill,.
- Mabrudy, M. (2013). *Penggunaan Self Assessment Untuk Mengungkap Pemahaman Siswa yang Berorientasi Pada Teori Marzano dalam Konsep Usaha dan Energi*. Bandung : Universitas Pendidikan Indonesia
- <https://ekonomi.bisnis.com>
- <https://katadata.co.id>
- <https://tirto.id>